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Daily Report

Latin America

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Cuba

Cuba: Commentary Views G-7 Meeting, Helms-Burton Law

PA2606231296 Havana Radio Rebelde Network in Spanish 1700 GMT 25 Jun 96

[Orlando Contreras commentary; from the "National Radio News" newscast]

[FBIS Translated Text] Despite open U.S. opposition, everything seems to indicate the Helms-Burton law will be discussed next week in the French city of Lyons when the world's seven most industrialized and, therefore, wealthiest nations will meet. Several news agencies have reported on this matter. AFP in a report datelined Paris stated that it seems the Cuban topic will be the bone of contention between the United States and its interlocutors during the G-7 meeting. Canada has announced that it will come to Lyons with the intention of strengthening its campaign against the Helms-Burton law.

Italian news agency ANSA cites (Dean Davis), U.S. State Department spokesman, stating that he does not expect the Helms-Burton to dominate the G-7 meeting or that the group will devote much time to it. NOTIMEX, which reports on the Canadian stance from Ottawa, cites the remarks by a Canadian official: All of us are opposed to this measure, the Helms Burton law, and must persuade our U.S. friends that it also hurts their interests.

It is believed that if Washington fails to eliminate the discussion on the Helms-Burton law, which is not in the agenda, U.S. President Clinton, the one most interested in boosting his image of toughness in the face of the November elections, will be pitted against his adversaries, dismissing once again the criteria of his strongest allies. If the United States' image of the Western cowboy, exterminator of Indians and buffalo, pays off in the elections, the rest of the world does not have the same perception. Europe is not renouncing its cultural heritage, impregnated with Cartesian rationalism and English [word indistinct], and does not find it reasonable or permissible that a country, no matter how strong it may be, should enforce its laws on a foreign land.

In fact, that is the stance of virtually the entire world because to date, Washington remains totally alone defending a law, concocted by the Miami mafia, which even hurts U.S. interests.

Canada, the United States, Japan, United Kingdom, France, Italy, and Germany are attending the G-7 meeting that begins on 27 June as full members. Russia was invited to the political aspect of the summit, but has not been accepted as a full member. This exclusive rich countries' club represents just 12 percent of the world population, yet it controls two-thirds of the earth's wealth — but that is another topic. The topic of today is the Helms-Burton law and the G-7.

Cuba: Alarcon Terms ICAO Report U.S. 'Fabrication'

PA2706034696 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 26 Jun 96

[From the "NTV" newscast]

[FBIS Translated Text] Cuba reported at the UN today the procedure followed in an investigation conducted by ICAO [International Civil Aviation Administration] on the violation of the Cuban airspace. A document addressed to the UN Secretariat General and the Security Council pointed out aspects left out by the investigating team regarding the application of the method established by the ICAO regulations. In Montreal, Canada, an ICAO Council meeting to consider a report on the 24 February incident has been in session since this morning. Special envoy Carlos Iglesias reports from the ICAO headquarters.

[Begin Iglesias recording] The meeting apparently will be extended through tomorrow because the debate by the 33 Council members only began this afternoon. Federico Pena, head of the U.S. delegation, and Ricardo Alarcon, head of the Cuban delegation, spoke during the morning session in addition to the presentation of the survey by the head of the experts team (Carl Frostel).

Alarcon used the early afternoon recess to meet with the press. He said that (Frostel) had admitted to omissions, such as failing to talk with key witnesses and reportedly accepting written statements by other people.

Alarcon pointed out that the group of experts should have admitted that they never received the originals of the U.S. delegates' reports on such essential factors as radar data. Alarcon said it is very strange that on 23 February, one day prior to the incident, although U.S. authorities issued instructions to follow those flights, they presented their report only after the survey deadline had expired.

Alarcon said it is correct to assume that this data favored the U.S. side and that, under the circumstances, there is no doubt that the report is a fabrication by the group of U.S. experts and officials who put the Council in a peculiar situation. [end recording]

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Cuba: ICAO To Continue To Analyze Downed Planes' Case

PA2706031696 Havana PRENSA LATINA in Spanish 0102 GMT 27 Jun 96

[FBIS Translated Text] Montreal, 26 Jun (PL) — The Council of the International Civil Aviation Organization [ICAO] today ended its work sessions without having reached an agreement and decided to continue analyzing tomorrow a report on the violation of Cuba's air space.

Many delegations took the floor during the evening session and PRENSA LATINA established that many criticized the contents of the report and are opposed to remitting it, as it stands now, to the UN Security Council.

In the morning, Cuba denounced the manipulation of the report by the United States and the ICAO investigations team, as well as the attempt to distort the facts of the 24 February incident.

On that day, two U.S. registered airplanes from the organization Brothers to the Rescue were downed after having repeatedly violated Cuban air space.

Sources close to the meeting revealed that the delegations of Nigeria, India, China, Angola, Russia, and Indonesia, among others, strongly criticized the Investigations Commission's report and some of them rejected an eventual remitting of the report to the UN Security Council.

Brazil, Australia, Spain, Canada, and Italy also questioned the report.

One principal point of the session was the disclosure by Investigations Commission Chief Caj Frostell that his group had not interviewed the crew and passengers of two ships who because of their positions supposedly had proof that the planes were downed in international waters.

The Cuban delegation reiterated that the downing took place in Cuban sovereign areas and referred to the evidence that Cuba delivered to the investigators in a timely manner, including declarations by witnesses.

Tomorrow the Council is to set discuss the project Cuba presented while requesting that the report be completed and submitted within a reasonable period of time to a new ICAO Council meeting.

The Council will also be informed of a U.S. project condemning Cuba and must decide whether the conclusions of its investigation team are to be sent to the UN Security Council.

Haiti

Haiti: Sabalat's Statements 'Results of Investigations'

PA2606141696 Port-au-Prince Signal FM Radio in Creole 1130 GMT 25 Jun 96

[From the "0730 Appointment" newscast]

[FBIS Translated Excerpt] Senator Sabalat's statements on how the money received from Taiwan was used are not revelations but instead the results of the investigations of a special commission within the Senate, according to Sen. Yrvelt Chery. Additionally, Chery announced that many ministers of former President Aristide's government should answer the questions of the senators on the $20.2 million given to Haiti by Taiwan. To this end, in the coming days, several former ministers of the Aristide administration will have to answer the questions of a special senatorial commission aimed at shedding light on the whereabouts of the money Taiwan gave Haiti, added Sen. Chery. Chery emphasized that western Sen. Jean-Robert Sabalat did not make revelations but [instead published] the results of investigations by a special commission and that the Justice Department will have to deal ruthlessly with the culprits, that is, those who embezzled this money. [passage omitted]

[Begin Chery recording, in progress] ...it showed that it was not a personal revelation because he [Sabalat] is a member of a senatorial commission that is working on the question and that went to the Central Bank where they discovered the transactions made on the account on which the funds received from Taiwan were deposited. Sen. Wesner Emmanuel pointed out to us that it was not $20 million but instead U.S. $20.2 million. [passage omitted] [end recording]

Haiti: Deputies To Question Two Ministers Again

PA2606142996 Port-au-Prince Signal FM Radio in Creole 1130 GMT 25 Jun 96

[From the "0730 Appointment" newscast]

[FBIS Translated Excerpt] The minister of foreign affairs will soon be questioned formally at the Chamber of Deputies. The lawmakers plan to question Minister Longchamp on Haiti's diplomacy. The foreign affairs minister should be able to give proper explanations on the development of the relations between Haiti and other nations. Several deputies criticized the way he answered the senators last week. They said Mr. Longchamp is not qualified to manage the Haitian diplomacy. So, they can either give him a vote of confidence or one of censure following the session in which he will have to answer the deputies' questions.

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In the opinion of Deputy Alix Fils-Aime, until now, the foreign affairs minister has not defined the strategy of the Haitian diplomacy toward the other countries. Yvener Millien reports:

[Begin Millien recording] Following the foreign minister's reaction to the questioning on diplomatic relations between Haiti and the other countries by some lawmakers, Alix Fils-Aime, president of the interior commission of the Chamber of Deputies, said they will question formally Foreign Affairs Minister Fritz Longchamp so he can give a report on the policy of his ministry. Secondly, they would like to have more details on the statements he made. Deputy Fils-Aime went on to say the foreign minister has showed that he is unable to establish a strategy favorable to us before the people and the president as regards the relations between Haiti and other nations. Fils-Aime said he knows it is up to the government to sign the agreements that can restore diplomatic relations. However, the parliament asserted that the parliament can give its opinion on what it thinks is better for Haiti. [passage omitted]

Furthermore, Deputy Fils-Aime told us that we can start speaking of the former Haitian minister of foreign affairs. Anyway, if these threats become realities, two of the ministers of the Rosny Smarth government will lose their jobs in the next days. Yvener Millien for Signal FM. [end recording]

Thank you very much, Millien. We will point out that the Haitian lawmakers have not yet set a date for the convening of the country's foreign affairs minister, Mr. Fritz Longchamp to whom they consider giving a vote of confidence or a motion of censure, depending on how he answers the questions in the coming days. Let us point out that the deputies are also considering convening the minister of public works, transportation, and communications, Engineer Jacques Dorcean who already went to the Senate of the Republic where the senators gave him a vote of confidence last week.

The deputies of the lower chamber are not satisfied with the statements that were made by the minister of public works at the Haitian Senate. The deputies may summon the minister of public works in the next few days. They have not yet set a date for that. However, they consider the possibility to hear him and then give him a vote of censure or a vote of confidence, depending on how he answers the questions in the next few days.

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Mexico: Madrazo Resignation Seen as Inevitable

96CA0220A Mexico City REFORMA in Spanish 17 Jun 96 p 1

[Commentary by Juan Molinar Horcasitas, Colegio de Mexico political science researcher: "Who's Defending Roberto Madrazo?" — received via Internet]

[FBIS Translated Text] The incredible, sad story of Governor Roberto Madrazo and his heartless financiers must be entering its final chapters, since at this point it is unthinkable that he can remain in power. There are several reasons why I believe Madrazo will have to step down as governor, either by taking a leave of absence or by resigning. The fact that his continued presence as governor of Tabasco is an affront to anyone possessing a modicum of decency ought to suffice. Fortunately, however, there are other reasons that may carry more weight in Roberto Madrazo's mind. A major factor in Madrazo's eventual departure will be the misfortunes of Carlos Cabal Peniche, a financier who had a sudden rise and a resounding fall, and who by now is powerless to support the Tabasco governor whom he had apparently bankrolled. Moreover, the people who stood stubbornly behind him after the financial scandals broke out will likely abandon him soon, since backing him could become too costly.

Madrazo should have resigned when Andres Manuel Lopez Obrador disclosed his campaign accounting records. Instead he mounted an unseemly defense. Stubbornly clinging to the Quinta Grijalva [governor's residence], Madrazo exhausted his legal appeals, eventually losing before the Supreme Court, but also resorted to chicanery unworthy of his office, such as the fabricated kidnaping and the press campaigns, which were as fruitless as they were in poor taste and which wasted even more of Tabasco taxpayers' money. Madrazo has become so brazen that he has tried to deceive the public by claiming that the provisional conclusions of the Attorney General's Office (PGR) exonerate him. Incredibly, Mr. Madrazo claimed that the charge against him was that he had spent 13 million pesos, not 270 million, seizing on the fact that the PGR had mentioned the former figure. The truth, which Madrazo brazenly passed over, is that the PGR indicated there is ample evidence that he spent 128 million pesos, and that one of the most noteworthy contributions was a 13 million peso donation through a trust set up by Mr. Carlos Cabal Peniche.

Either of these two facts reported by Lopez Obrador and confirmed by the PGR with the support of banking authorities should have been enough to prompt Madrazo's resignation. Instead, he has continued along the same sorry path.

The full confirmation that at least 128 million pesos was spent ought to be enough for Madrazo to tender his resignation, inasmuch as this amount exceeds the limit that Tabasco State law sets by a factor of several dozen. True, nothing can be done any longer under Tabasco law, even though these violations have come to light today, given that the deadline for submitting evidence expired some time ago. The reaction ought to be an amendment to the law, not acquiescence to an abuse of power. Even though Madrazo's governorship can no longer be legally challenged on account of his violations of electoral law, everyone knows for certain that the governor of Tabasco broke this law and that if the evidence available today had been submitted in time, he would not be serving as governor. Therefore, he himself ought to step down before political pressure forces him to.

Such pressure will begin to come from sectors that have heretofore shielded him. The evidence of Carlos Cabal's contributions will wound Madrazo in several ways. The first is that the 13 million links him in unseemly fashion to a fugitive from justice who has been charged with scandalous fraud and waste. We are thus forced to consider what sort of relationship Cabal and Madrazo had. The kindest hypothesis is that Cabal "invested" in Madrazo. If this is true, readers should consider how much Cabal expected to get for his investment, and do not forget that this yield would have to come from the Tabasco treasury. The harshest hypothesis, money laundering, is that merely by taking money from Cabal, Madrazo had already served Cabal's interests. There is no other conclusion.

Another dangerous front that confirmation of Cabal's 13 million peso contribution has opened up is on the federal level, affecting the national PRI [Institutional Revolutionary Party] and its financial authorities at the time. The contribution has national ramifications because the maximum amount that an individual could contribute to a party was 2 million pesos and a corporation, 10 million. In the case of this contribution, both Cabal and his trust violated a federal law, Cofipe [Federal Code of Electoral Institutions and Procedures]. This fact could have serious consequences if the IFE [Federal Electoral Institute] decides to ask the PGR to provide it with the existing documentation to investigate this alleged violation of the electoral law, as is its duty.

In short, Madrazo is a millstone around the neck of both the state and the national PRI. Who, then, has defended Madrazo? First it was the people who gave PRI so much money in Tabasco during his campaign. The businessmen who did so would like Madrazo to stay on and facilitate the deals that will enable them to recoup their money, inasmuch as they did not

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contribute out of altruism or ideological solidarity. They made contributions as a risky investment that would presumably pay a high dividend. Nevertheless, the main private investor who wanted to buy Madrazo can no longer do anything for him. The rest would be better off accepting their losses instead of continuing to stand by a disgraced politician.

In contrast, those who financed Madrazo from the public sector and the PRI national financial officials at the time will keep on trying to cover for him in order to protect themselves. But these same officials may already prefer to see Madrazo go down so that the scandal comes to an end once and for all, because the longer it drags on, the more risks they run.

There are also those who have been using him as a banner for their own cause: a group of hardline PRI members who hoisted Madrazo as a symbol that PRI can lift its hand to the opposition without consequences. Perhaps the time has come for them to haul him down, as by now there is all too much evidence that their Tabasco standard-bearer is rotten.

In any event, it is clear that the only thing greater than Madrazo's discredit is his brazenness.

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Guatemala

Guatemala: Foreign Minister Downplays U.S. Travel Warning

PA2606232596 Guatemala City Televisiete Television in Spanish 1900 GMT 26 Jun 96

[From the "Channel Seven News"]

[FBIS Translated Text] In a surprise statement that contradicts what was stated by the president of the Congress of the Republic, Foreign Minister Eduardo Stein downplayed the United States' travel warning [preceding two words in English].

[Begin recording] [Stein] I would refer to the success that, above all, has been attained by the government minister and all his team in the security sector. Vehicle thefts have dropped noticeably and kidnapping cases have been solved on a weekly basis; bands of kidnappers have been arrested.

Generally speaking, security issues have slowly improved, not just in isolated cases, but at institutional level, and we have international support to strengthen the Guatemalan National Police.

Therefore, we believe this is an exaggerated and unwarranted measure because Guatemala is punished with this type of travel warning at a time when there is clear evidence that the situation has begun to improve.

[Unidentified reporter] Will the Guatemalan Government appeal?

[Stein] Excuse me?

[Reporter] Will the Guatemalan Government appeal?

[Stein] Look, I think this is a waste of time. We will file the necessary protest, but many times it takes months to deactivate the measure in the tour operators' network. Therefore, the damage has been done even if we were successful in the short time and if the warning were removed, because the damage has already been done. [end recording]

Honduras

Honduras: Reina To Ask U.S. Envoy About Travel Advisory

PA2606195896 Tegucigalpa Telesistema Hondureno Television Network in Spanish 0100 GMT 26 Jun 96

[Report by Irving Sandoval; from the "This Very Day" newscast — passages within quotation marks are recorded]

[FBIS Translated Text] President Carlos Roberto Reina today announced that within the next few days he will try to meet with U.S. Ambassador to Honduras William T. Pryce to ask him for an explanation on a document prepared by the State Department warning U.S. citizens of how dangerous it is to visit Honduras.

[Reina] "There must be an explanation. The U.S. ambassador is not in the country at the moment. When he returns, I will talk with him so that this can be explained. For example, if it says here that tourists should not visit Honduras because of the violence; this means that they should not visit Guatemala, El Salvador, Nicaragua, Costa Rica, Peru, or anywhere else in Latin America or in the United States. That is not logical. I think that the topic is [words indistinct] to say that in certain countries while walking in certain places, when you walk [words indistinct] military. I think that [words indistinct] that an explanation must be given because, in all sincerity, it damages the image of our country."

On the other hand, President Reina denied that he had a daughter out of wedlock, as Maria Eugenia Godoy — mother of Maximinia Elvir — claimed during an international television program.

[Reina] "I have been very much surprised by that report, which some are trying to turn into a scandal. That is absolutely absurd and false, and I will no longer refer to it. This is not an unusual accusation. If this were true, I would have accepted it. I do not think that such things denigrate a man. If I were accused of other things, I would worry."

Concerning a hike in electericity rates, the president said:

[Reina] "There has not been any increase in electricity rates. There has not been any increase in electricity rates. I say this and [words indistinct] no such increase.

[Unidentified reporter] "However, one of your officials said that.

[Reina] "That is false. There is no such increase."

The president made these statements during the dedication of a forestry development center in Siguatepeque that will be the site of over 12 forestry development projects, including the protection and handling of the natural renewable resources of the basin of the El Cajon hydroelectric dam. Government officials and representatives from international organizations devoted to environmental protection attended the ceremony.

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Honduras: Foreign Minister Reacts to U.S. Travel Advisory

PA2606195596 Tegucigalpa Voz de Honduras Network in Spanish 1145 GMT 26 Jun 96

[Report by Jose Rolando Sarmiento; from the "The Morning Paper" newscast]

[FBIS Translated Excerpt] The country learned yesterday of a U.S. State Department report on the security situation in our country and the advisory it gave to U.S. citizens who want to visit us. Foreign Minister Delmer Urbizo Panting has this reaction.

[Begin recording] [Urbizo] It is an annual report that the U.S. State Department issues to all its citizens, those who want to travel not just to Honduras but to various countries. U.S. citizens who wish to travel to Europe, Russia, the Baltic area, where there are problems, can get information from this report. These are recommendations to their citizens. They are not warning against investing here. They are advising their citizens to take the normal precautions with regard to investment and specific topics such as the purchase of beachfront properties. With regard to crime, they are making recommendations to their own citizens. I think there is no need for that kind of warning. If we listen to the radio and television and read the newspapers every day, the news reflects the reality in Honduras. That is the fact.

[Sarmiento] Does that negative information hurt us?

[Urbizo] It does not hurt the country, really. I have always insisted that we are the problem. We should not be pinning the responsibility on others. We create our own problems. We are the ones who create the image we project abroad, and we have repeated this over and over. We exaggerate the problems that exist in our country. [end recording] [passage omitted]

[Tegucigalpa Telesistema Hondureno Television Network at 0100 GMT on 26 June carries a similar three-minute report citing Foreign Minister Urbizo as saying that the advisory has many "inaccuracies." With regard to the land mines, he explains that it is unlikely that a tourist would visit the areas where this danger exists. Urbizo, however, acknowledged that "many U.S. citizens have been swindled in Isla de la Bahia. There are 45 pending cases that date back to the previous administration." In addition, the official is cited as saying that the Honduran Government will not file a complaint over the report to the United States.]

Honduras: Armed Forces Head Reacts to U.S. Travel Advisory

PA2606211696 Tegucigalpa Voz de Honduras Network in Spanish 1145 GMT 26 Jun 96

[Report by Jose Danilo Isaguirre; from the "The Morning Paper" newscast; passages within quotation marks are recorded]

[FBIS Translated Excerpt] Reports from the United States say that Honduras is not a suitable place for investments. The report states that because of crime, lack of public safety, and lack of law enforcement, it is not recommended that U.S. citizens travel to Honduras as tourists or investors. Of course, this has great repercussions, President Reina explained.

However, what are Armed Forces Chief General Mario Raul Hung Pacheco's thoughts on this issue?

[Hung Pacheco] "The government of the Republic is making every effort through its public security forces, the public ministry, [words indistinct] in a meeting tomorrow. However, I believe that the measure taken by President Reina to gather all persons involved in security matters is going to provide answers to the Honduran people."

What is General Hung Pacheco's view regarding the violence against the citizens?

[Hung Pacheco] "We are confronting a wave of violence [words indistinct] one of the causes of violence here in Honduras. [word indistinct] if we speak of the meeting [words indistinct] that is going to explain to the people the measures that are going to be taken." [passage omitted]

The United States and Honduras are independent states, Hung Pacheco says. [passage omitted]

[Hung Pacheco] "There is the Foreign Relations Ministry, which has to respond, Danilo Isaguirre, because Honduras is a sovereign state, just as the United States is a sovereign state,. If one state attacks another state in any way, the Foreign Ministry and diplomatic channels are the ones that have to respond."

Honduras: Reactions to U.S. Travel Warning Cited

PA2606211096

[FBIS Report] The following is a compilation of reports in the Honduran media on reactions to the warning issued by the U.S. Department of State for U.S. nationals traveling to Honduras.

Tegucigalpa EL PERIODICO DE HONDURAS in Spanish on 26 June on page 11A carries a 250-word report citing Economy Minister Fernando Garcia

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describing as a "half-truth" the report by the U.S. Department of State indicating that Honduras is not a safe destination for tourists. Garcia pointed out that "it is regrettable that only the country's negative aspects such as the high crime rate are being disseminated abroad instead of its positive aspects." Asked whether he thought this report was part of a deliberate campaign to smear the country's image as a result of the problem with the Honduran maquilas (assembly plant sector), Garcia hinted that that was a possibility. Garcia believes that it is up to the Foreign Relations Ministry to demand an explanation on this matter from U.S. Government representatives, specifically, the officials of the State Department.

Tegucigalpa EL PERIODICO DE HONDURAS in Spanish on 26 June on page 11A carries a 275-word report saying that Renato Mendoza, deputy secretary general of the General Workers Federation, described as "dramatic" the report by the U.S. Department of State warning foreign tourists not to go to Honduras because of the lack of security in the country. Mendoza pointed out: "This sort of report causes great harm to Honduras, both at the domestic and the international level, especially now, when there are more serious issues to resolve. This is the reason why President Carlos Reina should talk, as soon as possible, to the officials of the U.S. Embassy or the Department of State to demand an explanation in this regard." In addition, Mendoza recommended that if President Reina does not receive a prompt answer, he should travel to Washington, accompanied not by bureaucrats, but by businessmen, union members and representatives of the Catholic Church to clarify this situation.

Tegucigalpa LA TRIBUNA in Spanish on 26 June on page 9 publishes a 400-word report citing Colonel Julio Cesar Chavez, general commander of the Public Security Forces, saying that the crime wave hitting the country is scaring investors away; however, this is a worldwide problem, not only Honduras's. Regarding the report by the U.S. Department of State, Col. Chavez noted: "They are only saying a half-truth, because although it is true that crime has increased in the Central American region, this is a problem that affects all the countries." He added that the U.S. Department of State should also advise tourists traveling to Miami to be cautious. Col. Chavez argued that the low number of policemen deployed throughout the country constitutes one of the problems being faced by his organization in the fight against crime.

Tegucigalpa LA TRIBUNA in Spanish on 26 June on page 9 publishes a 200-word report citing Norman Garcia, director of the Foundation for Investment and the Promotion of Exports, saying that "the report by the U.S. Department of State warning visitors to exercise caution in Honduras is not out of sync with the actual situation, but the United States is not paradise either because they have much higher crime rates than ours." According to Garcia, in Honduras, people very much exaggerate any information on violent events and it is better to advise the citizens of each country about the problems being experienced in the nations they are planning to visit.

San Pedro Sula TIEMPO in Spanish on 26 June on page 3 carries a 125-word report citing Ricardo Martinez, director of the Honduran Tourism Institute, saying that the number of tourists could decrease because of information such as the one contained in the report by the U.S. Department of State. He indicated: "These travel warnings are included in the bulletins of the U.S. Department of State on a permanent basis for the entire Central American area. The situation in Honduras is not worse than the one in Miami, New York or Chicago nor is it worse than the one in Costa Rica or Guatemala, and this does not halt the flow of tourists to these destinations."

Panama

Panama: FM on Criticism of Policies, Talks on U.S. Bases

PA2606163396 Panama City Telemetro Television Network in Spanish 1200 GMT 26 Jun 96

["Exclusive" interview with Foreign Minister Ricardo Alberto Arias by Dorita de Reyna at the Telemetro Television studios in Panama City; date not given — recorded]

[FBIS Translated Text] [Reyna] Recently, there have been strong criticisms of the foreign policies of President Ernesto Perez Balladares' government. We had requested an interview with a government representative so that he could respond to those criticisms, but for this or that reason the interview was postponed.

Later, other incidents have occupied the public's mind, for example, the permanence of the military bases and the fact that Panama is once again making the headlines in the international media, this time for the narcofinancing of political campaigns.

Today, finally, we have in our studios the person who can answer these questions and clear up many doubts about these topics. He is the new foreign minister, Ricardo Alberto Arias. Welcome Mr. Foreign Minister.

[Arias] Thank you, Dorita.

[Reyna] Mr. Foreign Minister, definitely your ministry has been on the public's mind for many reasons, but if

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you would allow me, I will begin this interview with the topic that is occupying the attention of all Panamanians and is undoubtedly having international repercussions, the narcofinancing of political campaigns. How are the incidents that occurred last weekend affecting us as a country before the rest of the world?

[Arias] What concerns us more than the mere financing of the campaign of President Ernesto Perez Balladares is what could happen to our political and institutional process. We must not be surprised by the fact that if there was money in President Ernesto Perez Balladares' campaign without the knowledge of the adversely affected persons, the same could have happened to other campaigns.

I believe that we must adopt the necessary measures to prevent this from happening again in the future. Obviously, this has repercussions and is international news, but the people and the foreign ministers with whom I have been able to speak, as well as the U.S. officials with whom I have been able to meet, are all aware of the risks that exist in these processes. There is no effective or efficient way of correcting it. I spoke to several U.S. State Department officials and they told me, clearly, that you are doing what you have to do. To avoid that is very difficult, and what you have to do is to eradicate money-laundering activities from the entire country. That is the only way we can protect ourselves and our institutions.

[Reyna] Mr. Foreign Minister, as for your personal case, your name showed up in the investigation of the Banaico [Agro-Industrial and Commercial Bank of Panama, Inc.] case. What was your participation, exactly. In the news conference you held last week, certain doubts remained because a great deal of topics were covered during that news conference. We can speak here now, because this is an interview between you and our television channel. What was your participation in the Banaico case and why was your name mentioned in the investigations.

[Arias] I would be pleased to explain it, Dorita, and I hope that any doubt that may remain can be cleared up. The Banaico was established here in 1978. It was organized by the Galindo, Arias, and Lopez Law Firm, a firm of which I am a member. The clients who came to us, whom we all knew, because of internal reasons in their countries of origin, asked us to act as directors of the corporations that would operate the bank. Our names appeared in the corporations that were organized as their directors. I am talking about the corporations that own the bank's stocks. As a director of these corporations, my actions were exclusively limited to the granting of powers so that members could attend a meeting of shareholders in 1983 and authorizing the opening up of a bank account so that the beneficiary, the true owner of the corporation, could draw checks. This account remained open until 1988, I believe. The same is the case for the other corporations, which we represented at the office. We are currently requesting an audit by a firm of independent auditors that can certify our actions in those corporations. That was common in our country in the 1970's and 1980's and even before then; however, the world has changed. The drug-trafficking and money-laundering phenomenon has appeared. This will lead us to correct our actions in the future and that is the way it should be.

[Reyna] This leads me to a question on corporations. Every so often in Panama, the manner in which our legislation on corporations is drafted is criticized. Many people say it allows things like this to happen. Do you support an amendment to this law?

[Arias] I think that instead of amending this law, we must amend our handling of corporations. We cannot be as liberal as we used to be in setting them up. We must pay much closer attention in regard to the person on whose behalf we are setting it up and how it is handled.

[Reyna] Let us discuss another topic that is definitely at the center of our attention and is always an important topic for Panama. I mean the U.S. military bases. Are Panama and the United States already negotiating the bases' permanence or not?

[Arias] Let me answer in a very clear manner. Panama and the United States are not negotiating a possible U.S. presence beyond 2000. This is, however, a very sensitive topic, and everybody attaches great importance to what is happening.

[Reyna] That is right.

[Arias] There is a great deal of suspicion around it. I will tell you what is happening, and I have not just said this here but everywhere. On the wake of last September's visit by President Ernesto Perez Balladares to Washington, and in reply to a question by U.S. President Clinton as to whether he was prepared to discuss the topic of a possible U.S. military presence in Panama beyond 2000, President Perez Balladares said he was, and that one could consider it so long as Panama received very specific benefits. They agreed on exploratory talks to discuss the matter before entering into a negotiation process. These so-called exploratory talks were suspended last November for various reasons, one of them being that U.S. Ambassador Hughes had just arrived and felt that he lacked sufficient knowledge on the topic.

In addition, the government felt we had not sufficiently consulted the different sectors of the country before

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we even took that preliminary step before entering into a negotiation. We met with different political parties and, from there, emerged the proposal to conduct an economic study on the impact of the presence of military bases in Panama and the likely maintenance costs after their pull out. The purpose of that study was not to make our decision with... [pauses] our discussions with the United States hinge on it, but to eliminate that topic from the discussion. If we have a study on the economic impact and salaries we could eliminate that topic from the discussion. The study was prepared and distributed.

[Reyna] You are referring to the study by Marco Fernandez...

[Arias, interrupting] Yes, right. Let me continue. The political parties are holding internal discussions on the report. Messrs. Galan and Fernandez have met with different political groups to analyze the study within the strict topic of the economy. Now it is up to the government to conduct actions with the political parties and different segments of society to try to determine, in a broader manner, the sentiment of the nation on the topic. That does not mean that there is no communication of any kind on the topic with the United States. This is not a forbidden topic. It is not that I meet with the U.S. ambassador for one reason or another, or I meet with U.S. officials for one reason or another, and the topic is not broached. Of course it comes out. It comes out, however, in very general terms, where the sides basically reiterate their stances and what is happening at home. In those conversations we are not holding a detailed discussion or exchange of stances.

[Reyna] Now that you have brought up that study, let us refer to it. That study concludes, among other things, that Panama should negotiate the military bases that involve a major maintenance cost in a temporary manner, for example for 10 years. It also says that Panama and the United States should share the use, and that the United States should pay something in exchange. What is the government's opinion of that study, and how do you perceive the U.S. Government's reply to similar petitions?

[Arias] The Panamanian Government's stand has been that it will only enter a negotiations process — and that was the reason for the exploratory talks — if it is estimated that Panama will gain specific benefits from that presence beyond the year 2000. The study concludes that if this negotiations process is reached, Panama should negotiate on those areas that are more expensive to maintain or that Panama finds more difficult to use. Shared use is a topic that has come up in these informal conversations that have taken place, as well as the possibilities of certain things that could be done, precisely in the area of Howard. It is said that there is no incompatibility about its use, for example to control drug trafficking or for commercial reasons.

[Reyna] How about paying something for the use of the bases, whether with money or some type of cooperation? Has anything been said?

[Arias] The United States has clearly said that for internal reasons — internal political reasons, internal budget reasons, and its policy on the military bases it has in other countries — it is in no position to pay for its presence in Panama. On the contrary, it has military bases in other places where it receives payment for maintenance. The United States is not willing to deviate completely from that policy and pay for military bases. The United States has accepted, in principle, the possibility of discussing what other benefits could be provided. In a very direct manner, it has pointed out the various benefits that its presence here is already providing Panama. For example, the construction of highways, schools, waterworks and the various works it is conducting throughout the length and breadth of the nation. These are some of the things it has mentioned.

[Reyna] You have mentioned that, due to budget policy, the United States would not be willing to pay. Some high-ranking U.S. officials have said that if the United States could not keep the bases in Panama, it would move them to Honduras and would remodel the facilities it has in Honduras in order to set up the Southern Command or something similar there. That would involve expenses by the U.S. Government in order to maintain a military presence in the area. Is it not somewhat contradictory to say that it has no budget to pay for the bases in Panama?

[Arias] First, I repeat that it is not just a problem of budget policy. It is also a problem of the Defense Department's policy as to how it handles the issue of the military bases abroad. I repeat, the policy on the bases the United States has today has changed. Before, the United States paid for the bases, but now the United States receives payment for maintaining the bases. The United States does not want to return to the previous policy.

In the second place, the United States has said it is willing to stay in Panama only if Panama understands that the U.S. presence here is of benefit for Panama, not only for economic reasons but also for other reasons. The United States does not believe this can be replaced with a payment, because it then feels its presence here is only for the benefit of the United States. Thus, it is not just a budget policy.

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None of the officials in the United States with whom I have discussed this subject has told me that if no agreement is reached here, then they will move to Honduras to build a larger base than what they currently have in Honduras. I have never heard such a thing.

[Reyna] On another subject, I want to refer to the criticism that has been made of the government's foreign policy. It is said that the Panamanian Government has concentrated on strengthening ties with the United States in order to obtain preferential access to NAFTA, while neglecting its relations with other blocs. For example, it has been criticized that this strategy will not work out for Panama, because, as a result of the Mexican crisis, the United States does not want to expand NAFTA. Many recommend we fully integrate with Central and South America and that we form a strong group that will have commercial ties with the United States, Europe, and Asia. As the new foreign minister, what do you think of that?

[Arias] Panama should not remain with or join specific economic groups of the region. I do not think that Panama should join either the Central American Common Market or — perhaps — the Andean Pact or Mercosur [Common Market of the South], as a member of the same. Panama should seek ties with each one of those groups and try to open our markets and promote investments. I say we should not be part of them, because the Canal obligates us to maintain a foreign policy independent of any of these existing groups. Now, whether it would be advisable to form a great Latin American union so that, in this manner, a united Latin America could sit down and face the United States, of course this would be advisable.

Today, however, this seems to be a very remote possibility. It is true that NAFTA'S open trend in 1994 and 1995 has been closed as a result of the Mexican crisis. Instead of seeking a rapprochement with NAFTA, which appears to be difficult, perhaps we should try to have bilateral relations for opening the market on a permanent basis with the United States and the other countries of the region. I do not think we should neglect our relations with Central America, the Andean Pact, Mercosur, Europe, or Asia. Because of our future and our future management of the Canal, our challenge today is that we should maintain very intense relations with all of these groups.

[Reyna] Mr. Foreign Minister, I think this has been a very good interview. We thank you once again for this opportunity and for this interview with Telemetro. I think some concepts on foreign policy have been clarified. We wish you success in the new career you began this week as foreign minister of the Republic of Panama.

[Arias] Thank you, Dorita. I want to emphasize that the doors of the Foreign Ministry are always open to all of the media. We are at the service of the people, always, and at all times. I believe that the Foreign Ministry, which handles issues of state — as you have said — more so than issues of the government, should be directed in a very open manner and with as much understanding and communications with the people as possible. I appreciate your interview, and I am at your service in the future.

[Reyna] We will continue to be watchful of our foreign policy. Thank you very much.

[Arias] Thank you, Dorita.

Panama: Castrillon's Fuji Investment Company Profiled

PA2606164296 Panama City LA PRENSA in Spanish 22 Jun 96 p 1A

[FBIS Translated Text] The Drug Prosecutor's Office and the international organizations that participated in the investigations have identified the Fuji Investment Company, which wrote the checks for the PRD [Democratic Revolutionary Party] 1994 election campaign, as one of the companies that make up the complex network alleged drug trafficker Jose Castrillon Henao owns.

The company is registered at the Public Registry under microjacket number 155411, frame number 160, and reel number 16317. Oscar Arcila (president), Enrique Chang (treasurer), and Paola de Chong (secretary) are listed as its representatives.

This company was registered on 11 November 1993, and its resident agent is the law firm Shirley & Diaz, whose partners, Antonio Shirley and Damaso Diaz, are the signers [subscriptores] for the company. This firm is the resident agent not only of this company but also of dozens of other companies belonging to Castrillon's network.

According to the intelligence reports the Drug Prosecutor's Office drafted, Colombian Oscar Arcila is one of Castrillon's partners, who supervised the operations of Castrillon's companies in Colombia. The Colombian Drug Police raided Arcila's Cali home on 5 December 1995 and found the telephone numbers of Castrillon and Panamanian Enrique Chang.

Chang, who is being charged as being a member of Castrillon's organization, is in turn the owner of Master Agencies company located in Colon and is responsible for the upkeep of all of the organization's

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vessels. According to the same intelligence reports, Chang's name appears in at least 17 companies linked to Castrillon, including Fuji Investment, Inc.

The Drug Prosecutor's Office identified Fuji's secretary, Panamanian Paola de Chong, who is also linked to this case, as one of Castrillon's mistresses. Her name appears in 19 front companies owned by Castrillon. She is in charge of managing Castrillon's real estate and properties.

Panama: Parties Investigate PRD's Virzi, Molirena's Diaz

PA2606172596 Panama City EL UNIVERSAL DE PANAMA in Spanish 25 Jun 96 p 1

[Report by Justino Gonzalez]

[FBIS Translated Text] The Court of Honor and Discipline of the Revolutionary Democratic Party (PRD) will look into Second Vice President Felipe Virzi's and fellow party member Felix Estripeaut's alleged unethical behavior, following the scandal prompted by the use of illegal funds in this party's election campaign.

PRD President Gerardo Gonzalez disclosed yesterday that the party's National Executive Committee (CEN) had ordered the Court of Honor and Discipline to open an investigation for unethical behavior in order to determine who should be held responsible for the scandal.

Although Gonzalez refrained from disclosing names, sources close to the ruling party stated to EL UNIVERSAL DE PANAMA that this type of internal scrutiny is opened against party members suspected of being involved in wrongdoings, reason for which Virzi and Estripeaut will be investigated since their names appear as the link with Fuji Investments, Inc., the firm that contributed the funds.

The request for an investigation against Virzi and Estripeaut was demanded following statements by a lawyer identified as Damaso Diaz, who during an interview with TVN Television Channel 2, disclosed that alleged drug trafficker Jose Castrillon Henao is a personal friend of Vice President Virzi.

Victor Degracia, sergeant at arms of the PRD's Court of Honor, acknowledged that the statements made by PRD President Gerardo Gonzalez pave the way for the opening of an investigation. He explained that the party's internal guidelines stipulate that the names of those fellow party members accused of being responsible must be disclosed. "I believe our party members are demanding an investigation against those individuals whom the CEN has determined were involved in an offense," Degracia indicated.

Sossa Lacks Credibility

According to Alfredo Arias, vice president of the Arnulfist Party (PA), Attorney General Jose Antonio Sossa lacks the credibility to conduct an investigation since he is a close friend to the president. "Sossa is one of the persons who gave President Ernesto Perez Balladares the nickname El Toro during days when they were students," Arias pointed out.

The PA vice president claims that Sossa is not the same person whom he knew when he was legislator of the Republic reason for which the investigation should be conducted by the Legislative Assembly. "It would please me if he could conduct himself with impartiality and independence," Arias stressed.

In the meantime, Legislator Alberto Cigarruista commented that Attorney General Sossa was a bit too hasty when he praised President Perez Balladares in the case involving the use of drug-trafficking funds during the political campaign. He recalled that Sossa stated that he felt proud of the manner in which Perez Balladares had conducted himself, but that he still anticipates that the attorney general will "do a great job because he is a very ethical person and he loves Panama."

Authentic Liberal Party legislator Mario Quiel also believes that the attorney general's statements praising the president were a bit hasty. "It seems a bit inappropriate for Attorney General Sossa to be congratulating the president since he should conduct himself as an objective official toward the entire country. He should not obstruct or water down the investigations," Quiel pointed out.

PA legislator Daniel Arias suggested that the Legislative Assembly should take part in the investigations that will be opened to determine if drug-trafficking funds had been used in the PRD's election campaign due to Attorney General Sossa's lack of credibility to properly channel the investigations.

Molirena Requests Report from Diaz

The Nationalist Republican Liberal Movement (Molirena) requested lawyer Damaso Diaz to present a written and detailed report with respect to his involvement in the 51,000 balboas that were donated to the PRD's 1994 election campaign by alleged drug trafficker Jose Castrillon Henao.

The information was disclosed by Molirena President Ramon Morales Quijano who also explained that the report must be presented by Diaz as soon as possible, so that it can be subsequently forwarded to the respective Molirena party organs who will then decide if the fellow

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party member should or should not face disciplinary actions.

Damaso Diaz has been identified by President Ernesto Perez Balladares as the lawyer who contacted Felix Estripeaut, a PRD member, in order to deliver two checks amounting to 51,000 balboas from Fuji Investments, Inc., both of which were deposited in a campaign account managed by Second Vice President Felipe Virzi.

On the other hand, Morales announced that during the 1994 elections, Molirena established as a guideline, not to accept contributions from unknown individuals or corporations.

According to Morales, "During the campaign, Molirena did not receive donations other than those originating from friends or fellow party members, in other words, individuals who were well-known... Every contribution was screened."

Regarding this issue, Eduardo Linares, who was among those in charge of managing the campaign funds for the PA, also coincided with the Molirena president on his view that all contributions received by his party originated from well-known sources.

Both politician's explanations come as a response to warnings made by President Perez Balladares who said that it would be better for all parties to examine the contributions received during the 1994 campaign, and to speak up in case funds originating from drug-trafficking sources had been received, before it is uncovered by his government or the security organizations.

Panama: FM Believes Drug Funding Scandal Not 'Severe'

PA2706000996 Panama City LA PRENSA in Spanish 26 Jun 96 p 3

[Report by Wilfredo Jordan Serrano]

[FBIS Translated Text] Foreign Minister Ricardo Alberto Arias said yesterday that even though President Ernesto Perez Balladares' announcement about the infiltration of drug-trafficking money into his political campaign is detrimental to the country, "the effect has not been severe."

"I believe that the situation that has taken place will benefit us domestically because it will encourage us to make the necessary internal political changes," said Arias.

The foreign minister expressed confidence that the institutional process will be strengthened and that the country will achieve a positive image.

"Even though the international press carries information on the infiltration of drug-trafficking money into President Perez Balladares' political campaign, the topic will be clarified as the days go by," said Arias.

Likewise, he said that this incident will not affect the advent of foreign investments, in view that "what could affect them are extended domestic conflicts or internal destabilization, not this incident alone."

Panama: Businessman on President's Investigations Decision

PA2706005596 Panama City LA PRENSA in Spanish 25 Jun 96 p A4

[Report by Vilma E. Figueroa B.]

[FBIS Translated Text] Businessman Roberto Eisenmann said that President Ernesto Perez Balladares chose the most suitable channel, the Attorney General's Office, to conduct an investigation on the likely crime committed when two checks totalling $51,000, which allegedly came from drug-trafficking activities, were accepted to finance the 1994 election campaign of the PRD [Democratic Revolutionary Party].

Eisenmann made these statements after the president asked the Attorney General's Office to conduct an investigation on the source of two checks that were donated to his 1994 campaign by a company that is being investigated for its ties to alleged drug trafficker Jose Castrillon Henao.

"I believe that, of the few options the president had, given these proven actions, he perhaps chose the best one: stepping out first to inform the country that he himself had made investigations and to ask the attorney general to further investigate the case," Eisenmann pointed out.

He added that the option of resorting to the Attorney General's Office is the most suitable one, because had the case been forwarded to the Legislative Assembly, the first thing one would think is that the government has the support of most legislators.

The Panamanian businessman stressed that this case is just beginning and that it must be a lesson for all tradesmen in Panama and the Colon Free Zone, as well as for bankers, lawyers, and politicians.

He warned that "one must be extremely careful when one signs a check, sells merchandise, forms a partnership, or opens a bank account," adding that this care in the handling of commercial activities will be quite beneficial and that this is why we all must make joint efforts to fight against drug trafficking and money laundering.

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Panama: Arnulfista Leader Menendez on 'Ungovernability'

PA2706013396 Panama City EL UNIVERSAL DE PANAMA in Spanish 26 Jun 96 p A2

[Report by Blas Arrocha]

[FBIS Translated Text] Arnulfista Party [PA] leader Gonzalo Menendez Franco said that the country's governability is in a precarious balance and that, "if one more check shows up, the country will be in a mess and Panama will become ungovernable."

Somewhat concerned, he said that ungovernability has demolished many structures in mankind's development and that, "just to be on the safe side," the Panamanian people are "accepting and swallowing the story that the PRD [Revolutionary Democratic Party] did not know about these checks."

Commenting on the government's management of the drug-trafficking money, he said the PRD people have been very clever and daring and that this introduces a factor of doubt. He went on to say that Attorney General Jose Antonio Sossa has the capability and authority to interrogate Second Vice President Felipe Virzi and any other person.

In two checks, Virzi received $51,000 from the Fuji Investment Inc. for the presidential campaign of then candidate Ernesto Perez Balladares. It has been suggested that this is drug-trafficking money, in which the reported drug trafficker Jose Castrillon Henao is very much involved. Menendez Franco does not rule out the possibility of other illegal donations in the PRD's campaign, either.

He said it would be interesting if all the persons mentioned by THE ECONOMIST, THE MIAMI HERALD, and THE NEW YORK TIMES are called to testify on whether they knew of the origin of the funds supplied for the PRD's presidential campaign in 1994.

Regarding reports that drug traffickers could also have financed part of other parties' campaigns, including the PA, Menendez Franco said that people make many suggestions in the world, but anyone who is interested must prove such a financing of the PA. He said that the Arnulfistas have no objection to opening their books to disclose the names of those who helped finance their campaign. Nevertheless, he looked upset when he said that, after all, why does the PA have to open its books if it is the PRD that has to open its own?

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Argentina

Argentina: 'Main Points' of 'State Reform' Plan Noted

PY2706033396 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2333 GMT 24 Jun 96

[FBIS Translated Text] Buenos Aires, 24 Jun (NA) — The main points of the State Reform announced by the government today are as follows:

— Nineteen of the 58 secretariats and 40 of the 124 undersecretariats will be abolished.

— The news agency TELAM will no longer handle official public relations.

— The Security Secretariat, the Argentine Coast Guard, and the National Border Police will now be under the Interior Ministry.

— The Tourism Secretariat and Sports Secretariat will be merged.

— The Science and Technology Secretariat will now be under the Education Ministry.

— The Public Function Secretariat will be transferred from the Presidency of the Republic to the Office of the Chief of Cabinet.

— The White Helmets Commission will be transferred from the Presidency of the Republic to the Foreign Ministry.

— The National Council for Women's Affairs will be transferred from the Presidency of the Republic to the Interior Ministry.

— The Patagonia Development Commission and the NOA [Argentine Northwest] Development Commission will now be under the Interior Ministry.

— The Settlement Program and the Grow More Program will now be under the Social Development Secretariat.

— COMFER [Federal Committee for Broadcasting] will be merged with the CNT [National Telecommunications Commission] and Encotesa [National Postal and Telegraph Company, Inc.].

— The National Commission for Atomic Energy and the National Commission for Space Activities will now be under the Education Ministry.

— The Institute of Nuclear Activities Regulation [Instituto Regulador de Actividades Nucleares] will now be under the Economy Ministry.

— The Malvinas War Veterans Commission will now be under the Interior Ministry.

— The National Institute of Wine-Growing, the National Service for Animal Health, and the Argentine Institute of Vegetable Quality and Sanitation [Instituto Argentino de Calidad y Sanidad Vegetal] will be merged.

— The National Institute for Earthquake Warning, the Regional Center for Underground Water, and the National Institute of Mining Technology will be merged.

— The National Construction Registry [Registro Nacional de la Construccion] will be privatized.

— The Court of Appraisals [Tribunal de Tasaciones] will be abolished.

— The Sommer hospital, the Posadas hospital, and the Montes de Oca hospital will be transferred to Buenos Aires Province.

— The Media Secretariat will now be named the Press and Dissemination Secretariat [Secretaria de Prensa y Difusion].

Argentina: Trusteeship Reports on DGI-IBM Contract

PY2606115696 Buenos Aires CLARIN in Spanish 21 Jun 96 p 4

[FBIS Translated Excerpt] The information science contract involving the General Directorate of Taxation [DGI], the firm IBM, and Banelco [expansion unknown] bypassed the state's usual award system and cost **392,088,000 pesos more** than the original cost estimate for supplying the same service.

This statement was made by the National General Trusteeship [Sigen], which controls public administration, in a report that was partially disclosed by CLARIN on 16 June.

The Sigen report's **full text contradicts** the Economy Ministry's allegations on the approval of the contract for supplying information science services for the registration of social security contributions for state and private systems.

A week ago Economy Minister Domingo Cavallo emphasized that the agreement **did not present any irregularities**, whereas on 19 June former DGI head Ricardo Cossio noted that **"no fraud had been committed against the state"** and that his tenure was **"absolutely honest."**

Federal Judge Carlos Liporaci is handling the investigation into the IBM-DGI case. Prepaso [Front for a Country in Solidarity] Deputies Carlos "Chacho" Alvarez, Horacio Viqueira, and Alfredo Bravo have reported the irregularities. These congressmen believe the

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corruption in this case is "worse than that of the IBM-Argentine National Bank" case, in which bribes amounting to several millions [currency not specified] had allegedly been paid to computerize the bank.

In keeping with official reports, Sigen confirmed that the DGI accepted **unfavorable terms** for the IBM services, **failed to implement essential technical assessments** for approving the contract, **rejected recommendations** supplied by mid-level organizations that **advised against** signing the contract, and did not take into account **five bids** presented by various companies interested in supplying this service. [passage omitted]

Argentina: Correction—Menem Signs Decree on Chemicals

PY1906222196 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1949 GMT 6 Jun 96

[Corrected version of item filed as PY1806235396, originally published on page 21 of the 19 June Latin America DAILY REPORT; changes explained in editorial notes in paragraphs 2, 8, and 11]

[FBIS Translated Text] Buenos Aires, 6 Jun (NA) — President Carlos Menem today signed a decree regulating the control of the production and marketing of chemical substances used for illegally processing narcotics such as ecstasy, which is also known as the love drug.

Menem also assessed a bill that defines the legitimation of assets (money laundering), including the removal of banking secrecy, which calls for prison terms ranging from two to 10 years. [rewording for clarity]

Menem signed a second decree, establishing the formulation of a Federal Program for the Prevention of Drug Addiction and for the Antinarcotics Struggle [Plan Federal de Prevencion de la Drogadiccion y Lucha contra el Narcotrafico], involving all the provinces. This program will be implemented within the framework of a Federal Pact [Pacto Federal] that the government will sign with all the governors.

This information was supplied at the end of the weekly cabinet meeting by Julio Cesar Araoz, programming secretary for the Prevention of Drug Abuse and for the Antinarcotics Struggle.

Concerning the regulatory decree, Araoz explained that the control will be implemented by his secretariat and will be mandatory for manufacturers, importers, exporters, packagers, distributors, and wholesale or retail dealers.

Araoz also reported that the decree includes an annex, with the lists of substances. Three new substances, "sofrol," "isosafrol," and "piperonal," which are being used for illegally processing amphetamine and metamphetamine derivatives (ecstasy), have been added to these lists.

Concerning the money laundering bill, establishing the definition of this crime in the Penal Code, Araoz explained: "Drug trafficking crimes, illegal arms trafficking, crimes involving the trafficking of human beings, crimes involving the trafficking of human organs, and crimes against public administration are described as illegal activities and are included in this bill."

Araoz explained that the bill defining the legitimation of assets establishes the removal of banking secrecy, with the authorization of a judge, and establishes prison terms ranging from two to 10 years. [rewording for clarity]

In this regard, Araoz noted that next week he will send this bill to Congress, after "introducing some technical refinements, jointly with the Economy Ministry and the Justice Ministry."

Concerning the prison terms, Araoz noted: "They range between two and 10 years, as there are accessories and principals."

Araoz underscored: "Internationally, a UN report notes that money laundering involves between $500 and $700 billion [changing "million" to "billion"] per year."

Araoz emphasized: "Now our country does not represent a haven for laundering money." He noted: "There are no statistics on this crime, as it is not included in our Penal Code either."

Araoz stressed: "Drug trafficking crimes are increasing around the world and we believe that if we don't take these measures quickly, Argentina might become a haven for money launderers in the future."

Asked about the most common method for laundering money in Argentina, Araoz explained that based on information supplied by some court cases, "it involves drug trafficking activities."

Concerning the decree launching the "Federal Program for the Prevention of Drug Addiction and for the Antinarcotics Struggle," Araoz noted that all the policies on the prevention of and assistance against drug addiction would be coordinated and interconnected through the establishment of a Federal Council [Consejo Federal] and a commission for struggling against this scourge.

Araoz explained: "This task will be jointly carried out with our country's security and police forces."

Araoz then reported that the International Conference for the Control of Drugs for the entire South American continent would be held in late June in Buenos Aires.

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Araoz also announced that in July the United Nations, along with Bolivia, Chile, and Peru, would train judges, government attorneys, and security and police forces in Argentina.

In October, Argentina will host an OAS meeting on the control of drugs.

Bolivia

Bolivia: President Praises Signing of Mercosur Agreement

PY2606152696 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 26 Jun 96

[FBIS Translated Text] The Common Market of the South [Mercosur] member countries and Bolivia on 25 June signed a framework accord aimed at establishing a free trade zone that will be gradually implemented as of 1997.

The agreement was signed in the Argentine Province of San Luis, where the presidential summit is being held, by Bolivian President Gonzalo Sanchez de Lozada, Argentine President Carlos Menem, Uruguayan President Carlos Maria Sanguinetti, Paraguayan President Juan Carlos Wasmosy and Brazilian President Fernando Henrique Cardoso.

President Sanchez de Lozada said: We have not obtained any privileges but we believe that this dynamic effort will pave the way for a better future. This is the first step on a long journey toward dignity, prosperity, and integration. Other steps will follow this one. This journey will be taken in very good company, concluded Sanchez de Lozada amid the applause of his Mercosur colleagues.

Bolivia: President Returns, Views Mercosur Agreement

PY2706033296 La Paz Radio Cadena Nacional Network in Spanish 2300 GMT 26 Jun 96

[FBIS Translated Excerpt] Upon disembarking from the plane that carried him back from Argentina, President Gonzalo Sanchez de Lozada made yet another promise.

The president said prices would be lower after Bolivia achieved an agreement with Mercosur [Common Market of the South], and Bolivian entrepreneurs would be sucking less blood.

The president believes in the existence of economic interests behind the private businessmen's challenge to the implementation of an agreement on a free trade zone with the common market involving Argentina, Brazil, Paraguay, and Uruguay.

Sanchez de Lozada said entrepreneurs want to continue to beg the state for money and continue to have advantages and subsidies that prevent Bolivia from being more competitive. [passage omitted]

The agreement that Bolivia signed on 25 June will go into effect on 1 January, after an assessment is made for ratifying it. The agreement's ratification will be resolved 90 days after the assessment is made. These negotiations are part of the market opening policy, seeking to enhance the advantages for private entrepreneurial activities.

Brazil

Brazil: Lampreia, Malan Said To Disagree on Trade Issues

PY2606033496 Sao Paulo GAZETA MERCANTIL in Portuguese 24 Jun 96 p A6

[Article by Maria Helena Tachinardi]

[FBIS Translated Text] Buenos Aires — Discrepancies arise within the Brazilian administration every time Brazil adopts differential trade measures for the Mercosur [Common Market of the South]. This became evident yesterday after Foreign Minister Luiz Felipe Lampreia and Finance Minister Pedro Malan expressed different opinions during a luncheon offered by the World Economic Forum [preceding three words in English] (WEF) in Buenos Aires, an event that was also attended by reporters.

The two main problems that affected the Mercosur in the past 12 months were caused by the changing of Brazilian trade policy rules. Such was the case of the import quotas for cars and, most recently, the reduction of the financing term for textile imports.

Foreign Minister Lampreia said that the reduction of the financing term for textile imports was a technical measure adopted by mid-ranking officials. "From now on we will have to exclude the Mercosur," he said. Finance Minister Malan nonetheless stated that "it is not realistic" to expect that the rules will not be changed. "There have been many accidents along the way (of the formation of the EU)," he said by way of comparison, referring to the internal disagreements within the bloc.

No new clashes similar to the one caused by the car import quotas are expected during the WEF meeting. This problem was solved by President Fernando Henrique Cardoso and Argentine President Carlos Menem during the meeting they held last year in Sao Paulo.

The Menem administration, however, remains unsatisfied, as it now complains about the regulations that obstruct the access of Argentine oil-by products to the

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Brazilian market. According to Argentine sources, the subject will be discussed by Menem and Cardoso in Buenos Aires, within the framework of the Mercosur summit that will take place on 25 June in San Luis, 720 km from Buenos Aires.

That is an "asymmetry" that must be resolved in a "new stage of integration" when the important issue will be to modify the national laws that affect the trade flow among the member countries, said Ambassador Jorge Campbell, international economic relations secretary of the Argentine Foreign Ministry.

Malan stressed that the problem will be solved once a bill deregulating the oil monopoly is approved in Congress. He also announced that the Brazilian Government is struggling to secure approval of changes in the internal rules of the Chamber of Deputies that will limit the presentation of articles for separate voting, consequently stepping up the approval of the constitutional reforms, including that of the social security system. He expects that this will put an end "to the tyranny of the minority," which defeated the administration during the last voting sessions.

The two Brazilian ministers have been participating, since 23 June, in the second summit meeting of the Mercosur sponsored by the WEF, an organization, headquartered in Switzerland, with 1,000 associated companies that meets once a year in Davos to discuss the international economic situation. Today the presidents of Brazil, Argentina, Uruguay, Paraguay, Chile, and Bolivia and their foreign and economy ministers will discuss, together with businessmen, the challenges of Mercosur and integration with other trade blocs.

WEF President Klaus Schwab announced that next year that organization will organize in Davos a summit between the Mercosur and the countries of Asia. The initiative will take place at the same time a free trade agreement is signed between the Mercosur and Chile, an accord that will give Mercosur access to the Pacific Ocean and to the dynamic economies of that region.

The new issue in the Mercosur is that it was verified that "sovereignty is linked to interdependence," said Jorge Campbell. Pertaining to that subject and the concern of Argentina and the other partners with regard to an eventual overvaluation of the real, Malan made a clear statement: "There will be no change in the exchange rate. We will continue respecting a wide band which ranges between 0.97 and 1.06 reals and a lower floor. All speculation to the contrary is a mere waste of time," he said.

As of July, Brazil will assume the presidency of the Mercosur for a six-month period. According to Lampreia, the priorities will be to conclude negotiating the free trade agreements with Bolivia and Venezuela, the negotiation of a common bid calling system to be applied within the bloc, an agreement to face unfair trade practices ("dumping" [preceding word in English] and subsidies) by third countries, and a consumers defense code.

The Brazilian foreign minister commented that it is "inconceivable" to have different intellectual property rights rules within the Mercosur, but he thinks it "improbable" that laws will be harmonized in the short term. The industrial property rights laws of Brazil and Argentina are quite different.

President Fernando Henrique Cardoso will arrive in Buenos Aires on 24 June, at noon. He will greet Chilean President Eduardo Frei, who celebrates his birthday on the same day, and he will meet with Bolivian President Gonzalo Sanchez de Lozada. Industry and Commerce Minister Francisco Dornelles and Planning Minister Antonio Kandir will also attend the Mercosur meeting.

Brazil: Space Contracts Signed With France Detailed

PY2606014396 Sao Paulo GAZETA MERCANTIL in Portuguese 21 Jun 96 p C6

[Article by Virginia Silveira]

[FBIS Translated Text] Brazil began to intensify its contacts with French space enterprises following President Fernando Henrique Cardoso's last visit to France at the beginning of June. The National Institute of Space Research (INPE) has signed three satellite development contracts worth $8.75 million, while the Ministry of Science and Technology and the French Space Agency have agreed to jointly develop a scientific satellite worth $10 million.

The most important contract was signed with the Societe Europeene de Propulsion (SEP). The company will build a laboratory for the INPE to test small satellite motors. It will be installed in Cachoeira Paulista (SP) [Sao Paulo], where the INPE is developing its own activities. INPE Engineering Coordinator Carlos Santana has said the project is budgeted at $8.2 million. The INPE is very interested in apogee motor (AKM-Apogee Kick Motor) technology, which makes satellites stay in orbit.

Apogee kick motors alsoo allow satellites to reach higher orbits, of about 2,000 km. Mastering this technology is also important for developing the ECCO project, a satellite system for mobile and remote communications. The INPE also intends to modernize its facilities in its Integration and Testing Laboratory (LIT), a job that will be done by the French enterprise Intespace.

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Santana said the project provides for — among other things — the installation of an acoustic chamber at the LIT, which will be used to simulate the sound of orbiting rockets. "That chamber can make the satellite vibrate as it would in space," the engineer explained. The chamber will cost $150,000.

Aerospatiale is conducting a preliminary project for a high resolution observation chamber that will be developed for the Chinese-Brazilian satellite. For this, the INPE must disburse $400,000. Engineer Carlos Santana said the recent agreements signed with France are a major step by Brazil toward developing its space sector. He said: "The partnership with the French will give Brazil access to the European Space Agency, because France is making large financial contributions to the organ."

Santana said the most recent space development contract between INPE and France was signed with Aerospatiale in 1985. The enterprise supplied technical assistance for the specifications for the first satellite of the Complete Brazilian Space Mission (MECB). The development of a micro satellite for scientific studies has also been provided for in the area of technological cooperation between the two governments.

Santana explained that the satellite will have on-board Brazilian and French experiments. The experiments have not yet been specified. "We have opened an informal bid among Brazilian scientists (via Internet) who want to participate in this project, asking them to propose their experiments," he said. The best proposal will be analyzed by the Brazilian Academy of Sciences and will be financed by the Ministry of Science and Technology.

Brazil: Special Congressional Sessions To Begin 2 Jul

PY2606004596 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 25 Jun 96

[FBIS Translated Text] The government has summoned Congress to meet in July.

During a meeting at Planalto Palace between Acting President Marco Maciel, government leaders, Civil Household Chief Clovis Carvalho, and Political Coordination Minister Luiz Carlos Santos, a decision was made to summon Congress in July.

The executive branch will submit a presidential message to Congress on 27 June. The message will then be published in the official gazette, and will be read during a floor session on 2 July.

This means that, as of 2 July congressmen will be summoned for 30 days and will have no recess. This is being done to accelerate the reforms.

At the Senate, the agenda is practically ready. Among the items are the national transit code, phone services, software, and — possibly — social security.

Brazil: Daily Criticizes Slow Pace of Government Reforms

PY2606012196 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 24 Jun 96 p A3

[Editorial from the "Notes and Information" page: "Delayed Reforms"]

[FBIS Translated Text] Following the first vote on the social security reform, the government is preparing for the second confrontation, claiming to have learned from the lessons it faced in the past few weeks. Maybe, maybe not. This government, which has consistently shown it is incapable of learning from its own mistakes, has shown such a strong attachment to its own mistakes that it is difficult to believe in its ability to adapt. An accurate diagnosis should not be mistaken for the ability to adapt. Planalto Palace has frequently identified the origin of evils but made no changes in its course or in its diet. Psychologists call this cognitive dissonance: The patient knows he chose an improper course, has the ability to retake the right course, but does not.

President Fernando Henrique Cardoso has lost the opportunity of submitting to Congress the entire constitutional reform package when he was at the top of his prestige and had the best chance of having them approved — as occurred with reforms in the economic order. He preferred a slow step-by-step process. He then got confused over the priority of the reforms, blocking the Chamber of Deputies with a draft bill that was considered controversial after the impact of his advent to power was over. He let the virus of consensus contaminate him, as if Congress were not already divided over such issues, and he ended up isolating his own congressional support base.

The president has now discovered two things. The first obvious thing is that he can make some reforms through provisional measures and draft bills, which are easier to have approved by Congress. The second is that the main cause of the tribulations of the past few days is the Mechanism for Voting on Specific Topics [DVS], which the opposition has used to obstruct votes, compelling the majority to gather the same number of votes twice to approve the same point in floor sessions.

The DVS has been part of the Chamber of Deputies's regulations since the voting on the Constitution in 1988,

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thanks to the Big Centrist Wing, which used the mechanism to prevent the leftist sector from causing major problems. Consequently, it is not a new instrument in the congressional game. It was never an essential instrument for the exercise of democracy, because minorities have been respected. It was never anything but a tactical instrument, which was useful while one group wanted to use it. Now the original group has become a majority, the instrument may well be dispensed with. The surprising point is not the wish to remove the instrument now, but the considerable delay in perceiving its destructive potential for government plans.

In the next few days government leaders will submit a bill to restrict the DVS. Until the instrument is tamed, the government will not start the second voting on the social security reform. Depending on the ability of the opposition, the government will need some weeks to reach its objective. Before this, the opposition will have attained its objective: to delay as much as possible the vote on reforms that are disadvantageous for it. To summarize, the administrative reform will become even more remote.

Meanwhile, the government behaves as if time were on its side. The administration minister, whose capacity to say the wrong thing at the right time no one doubts, assures that he has the key to success. He says it is easy to reduce the union's payroll. It will be sufficient to withhold salary increases until the payroll reaches 60 percent of current revenues, as established by the Camata law. Since GAZETA MERCANTIL has reported that payroll expenses stand at 52 percent of net revenues, the administration minister must have been speaking about a country other than Brazil. To say the least, he is convincing hundreds of politicians and tens of thousands of people that the administrative reform is a sort of revenge against public servants.

In the final analysis, if the minister does not see the end of job stability as an instrument to promote efficiency and improvement of public service, but as a mechanism to reduce a payroll that is apparently standing below the level set by law, how are citizens expected to believe this reform is both just and necessary?

Brazil: Need To Adapt Institutions To Patent Law Seen

PY2606115496 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Jun 96 p A3

[Editorial from the "Notes and Information" page: "Difficulties in the Field of Patents"]

[FBIS Translated Text] The law on industrial property, more commonly known as the Patent Law, was approved a few weeks ago after long debates in Congress. Despite presidential approval, there are no guarantees that its enforcement will produce the effects the federal administration, society, and foreign partners expected. Particularly the latter, who emphasized the importance the law would have in normalizing Brazilian bilateral relations with the United States.

Once again there has occurred an association of corporate vices, which have existed for a long time, with the slowness with which the federal administration has been moving both in the legislative and the executive branch areas, despite the fact that the executive branch was the part of the government that most endeavored to secure approval of the law. It is well known, however, that the style and praxis of the National Institute of Industrial Property [INPI] actions are surrounded by doubts, starting with the fact that the INPI is seen as "ill-equipped and lacking in leadership," as its former president, Jose Roberto D'Affonseca Gusmao, has said.

In the context of an unavoidable economic globalization and of the role that the institution will have to play, it may prove very healthy to disclose the veil covering INPI's performance, even in the absence of a more encompassing industrial policy. INPI will have to evaluate and, if necessary, effectively protect brands and patents, and this means establishing limitations to the predatory acts of competitors.

If it is virtually impossible to correct past mistakes, preparing to face the future is mandatory. This need to reorganize the institution is more urgent still because in 1997, INPI will be forced to grant patents to areas of new technology and recent development, in addition to the chemical and pharmaceutical areas. Objectively, some aspects of INPI's performance have been questioned, with a great deal of reason. A good example of this is the fact that since January those who wanted to register a patent had to do so within the framework of the pipeline [preceding word in English] mechanism, which is subjected to the payment of a 10,000 real [R] fee, although the deposit for other types of patents is R200, i.e. 2 percent of the pipeline deposit fee. More serious still is INPI's evident lack of structure. This is shown by the fact that it often takes the institution more than one year to answer consultations about the feasibility of granting a specific trademark.

At the same time, it is feared that the new law will not be accompanied by other improvements that would make it possible to prevent, for example, the arbitrary use of INPI powers to publish license offers, to draw license contracts, or to arbitrate remunerations. For all these purposes, it is convenient to have a qualified bureaucracy capable of speeding up decisions and, at the same time, being well-informed about what is going

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on in the country as well as abroad. If the institution already has financial means to do all that, it is also important to endow it with intellectual means that will enable it to meet new demands.

Brazil: Radiobras Head, PSDB Split on Municipal Elections

PY2606181096 Sao Paulo AGENCIA ESTADO in Portuguese 1349 GMT 26 Jun 96

[FBIS Translated Text] Brasilia, 26 Jun (AE) — The municipal elections have caused the first defection from the Brazilian Social Democracy Party [PSDB]. Murilio Ferrira Lima, president of the Brazilian Radio Broadcasting Company [Radiobras], has reported to PSDB President Teotonio Vilela Filho that he is leaving the party. Ferreira Lima said he is leaving the Pernambuco PSDB in order to remain faithful to President Fernando Henrique Cardoso. He said that the Pernambuco PSDB launched Deputy Joao Braga's candidacy for Recife's mayoralty although Braga is supported by less than 5 percent of the voters. Ferreira Lima charged the party with naming Braga as a candidate as a way ensuring the candidacy of Senator Carlos Wilson for Pernambuco's governorship in 1998. This proposal is supported by the Workers Party and Governor Miguel Arraes' Brazilian Socialist Party. Ferreira Lima believes these plans will hinder the proposal for President Cardoso's reelection. The Radiobras president wanted the PSDB to support Roberto Magalhaes' candidacy for Recife's mayoralty. As Magalhaes is the Liberal Front Party's candidate, this ticket would be consistent with the PSDB's national political project of reelecting President Cardoso.

Brazil: Roundup of Economic Reports Through 25 Jun

PY2606164296

[FBIS Report] The following is a compilation of reports on economic activities in Brazil monitored through 25 June.

BASIC LEADING INDICATORS

Synthetic Thread Manufacture Recovery — Compared to 1995, the synthetic thread industry is experiencing the most accentuated recovery within the textile producing area. Plants that produce synthetic threads, such as nylon and polyester, are selling 25 to 35 percent more than at the start of this year according to Jean Louis Bourdon, president of the Brazilian Association of Synthetic Threads and Fibers. In the case of polyester thread, the recovery is a resut of a drop in imports, and of the fact that the price of Brazilian polyester has become more competitive. The synthetic threads industry is represented by six enterprises. It is responsible for sales totaling 1.8 billion reals [R], and 13,000 jobs. (Sao Paulo AGENCIA ESTADO in Portuguese 2041 GMT 24 Jun 96)

FINANCIAL OPERATIONS

Housing Area Receiving Huge Allocations — Planning Minister Antonio Kandir reported on 19 June that the federal administration will invest R38 billion in the housing and basic sanitation areas before 1999; R21 billion of which will be allocated to the housing area alone. The Federal Savings Bank, CEF, will again operate in the area. It will make Severance Pay Fund, FGTS, funds available for this sort of project, and attract some $300 million at the international market. Kandir added that in 1966, R6 billion will be disbursed for housing projects; R2.8 billion of which will come from the federal administration coffers and the FGTS. CEF President Sergio Cutolo said his institution will not lend money to those who cannot pay it back and added that more than 80,000 letters of credit for the construction of homes have already been distributed nationwide and that this represents a R1 billion investment. (Sao Paulo GAZETA MERCANTIL in Portuguese 20 Jun 96 p A5)

Capital Attracted Through Certificates Increasing — Foreign investment attracted by banks, enterprises and the administration itself through issuance of certificates increased by an average 45 percent from 1995 to 1996, jumping from $1.193 billion to $1.737 billion per month. Issuance of certificates on the international market yielded $14.317 million in 1995. Central Bank statistics show that from January to May 1996 the amount of capital attracted totals $8.688 billion. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 Jun 96 p B3)

Foreign Investments Increasing — Central Bank statistics released this week confirm that foreign investments in the first five months of the year totaled $6.527 billion, while the overall amount of foreign capital invested in the country in 1995 totaled $7.242 billion. This represents an increase of 116 percent, after deducting the foreign capital remitted abroad. During 1995, 65.6 percent of foreign capital was invested in the stock market and 41 percent in direct investment. Between January and May 1996, investments on the stock market stood at 45.1 percent of the total and 50 percent in direct investment. In 1993, 54.7 percent of the foreign capital used in direct investment was remitted abroad, while in 1995 only 9.6 percent was remitted abroad, and only 3.02 percent of the foreign capital used for direct investment from January to May 1996 was remitted abroad. These are the best results in more than 15 years. They show there is great confidence in the Brazilian economic sta-

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bilization program. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 Jun 96 p B3)

FISCAL, MONETARY ISSUES

Funds Allocated to Small, Micro-Enterprises — Planning Minister Antonio Kandir will launch a program contemplating that, beginning 20 June, small and micro enterprises will have an initial credit line of R500 million from the National Bank for Economic and Social Development, BNDES, which will be transferred to the enterprises by nine financial agents to be appointed by the bank. If each enterprise absorbs an average R50,000 per project, the program will allow the creation of 100,000 new jobs in a 12-month period. Each small or micro enterprise will be entitled to a R90,000 loan per year to be used in expansion and modernization projects, purchase of machinery and equipment, and working capital. The cost of the loans will be Long Term Interest Rate, TJLP, which is currently 15.44 percent per year, plus a maximum spread of 5 percent. The loan can be paid back in up to three years with a six month grace period. (Sao Paulo GAZETA MERCANTIL in Portuguese 20 Jun 96 p A4)

Economic Scenario Improving — Jose Roberto Mendonca de Barros, secretary for economic policy of the Finance Ministry, estimates that Treasury accounts will have a primary accumulated surplus of R2.3 billion from January to May. In the same period last year, the primary surplus totaled R7.2 billion. This shows that expenditures, particularly with the social security area, have increased. Federal administration revenues during the first five months of this year stood at the same level as last year, but disbursements for payment of interest during the first five months in 1995 totaled R5.5 billion, while this year the total increased to R6.5 billion. Mendonca de Barros said the fiscal situation, trade balance, and balance of payment are much better than last year, adding that industrial area sales are 10 percent up on March sales. (Sao Paulo GAZETA MERCANTIL in Portuguese 21 Jun 96 p A6)

BC Facilitates Assistance to Banks — The Central Bank promoted on 20 June the largest modification ever in the line of financial liquidity assistance, the so-called rediscount, and facilitated the access of financial institutions to the Central Bank rediscount program, while making it more expensive to use the Program To Encourage the Reorganization and Strengthening of the National Financial System, Proer. Francisco Lopes, Central Bank director for monetary policy, said the measure seeks to eliminate discriminatory aspects of rediscount. As of 1 July, the cost of assisting banks will depend on the frequency with which the rediscount line is used and on the guarantees offered by the bank. As of 1 July the rediscount reference tax also changes: It used to be the Selic, that is the interest obtained in negotiations among banks with public certificates. It will now be based on the Central Bank Basic Rate, TBC, which was also created yesterday. The Proer cost will now be TBC plus 2 percent per year in the first year and become as much as TBC plus 5 percent per year in the fifth year. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Jun 96 p B1)

Excel-Economico Bank Receives More Money — The Central Bank has authorized the transfer of another R300 million from Proer to the Bahia State Economico Bank, which will then be transferred to the Excel Bank. These resources will be used for equalization of bank assets and liabilities, that is reimbursement of the difference between the domestic interest rate and the international interest rate on loans. This means the assets the Excel took to the new Excel-Economico bank were not enough to cover all debts inherited from the old Bahia Bank. Previously, the Proer transferred R750 million to the Economico Bank. Although the Proer's net impact on the Economico Bank is nearly R1.05 billion, the overall amount of allocated resources already surpasses R3.2 billion. The difference has been used by the Central Bank to replace rediscount guarantees. If the R1.7 billion earmarked for the Federal Savings Bank are also considered, the resources Proer allocated to the Economico bank total R5 billion. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 Jun 96 p B11)

Bankrupt Banks Sold to Foreigners — The Central Bank has found a way to get rid of almost 90 small banks being liquidated: transfer them to foreign banks interested in operating in Brazil. Three of those small banks have been transferred to foreign capital since this strategy was implemented in April: The Sao Paulo Commercial Bank has been transferred to the Paris National Bank; the Columbia Bank has been transferred to Ford; and the Greater Rio Bank to a German bank. The debts of these banks with the Central Bank ranged from R5 million to R17 million. These foreign capital banks, however, must remain small — no more than 10 offices — and cannot purchase other banks or their offices. (Rio de Janeiro JORNAL DO BRASIL in Portuguese 24 Jun 96 p 10)

Funds To Generate Jobs Disbursed — The National Monetary Council has approved the allocation of R2.4 billion of the Pro-Job program resources to the state administrations in order to create jobs within the framework of the programs of the Worker's Support Fund. These resources will be transferred to the BNDES in two R1.2 billion lots, one this year and the other one in 1997. These resources will mainly be earmarked for

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basic infrastructure, mass transportation, tourism, and civil construction. (Sao Paulo AGENCIA ESTADO in Portuguese 2238 GMT 24 Jun 96)

PRIVATIZATION

Communications Area Privatization — During a live television interview on the night of 21 June, Communications Minister Sergio Motta asserted that bids for private enterprises willing to operate the B-band cellular phone system will start in August and that the project for privatization of Brazilian Telecommunications, Inc., Telebras, will have been regulated by January 1997. He also commented on the good results of Telebras this year, after its reorganization process: From January to March it made R600 million profit, equal to the profit made in 12 months last year. (Sao Paulo AGENCIA ESTADO in Portuguese 1800 GMT 24 Jun 96)

Brazil: Two Years of Real Plan Evaluated

96SM0391A Sao Paulo GAZETA MERCANTIL in Portuguese 17 Jun 96 p A10

[Article by Jose Roberto Mendonca, secretary of economic policy in the Ministry of Finance, and Lidia Goldenstein, adviser to the President's Office, National Bank for Economic and Social Development: "Real Plan, Two Years Later"]

[FBIS Translated Text] In recent months the government has been the target of sharp criticism. In this article we propose to discuss the Real Plan by listing and evaluating the principal issues that have been raised.

Inflation

Obviously, this is the area that has received the fewest criticisms, thanks to the surprisingly favorable results being achieved.

1. The process of deindexation has spread to the point that it is starting to make sense to work with nominal figures, and the changes in relative prices are beginning to be absorbed without causing inflation. Confirmation of that process can be seen in the smaller impact that the increases in telephone and utility rates are having.

2. The price indexes for services are clearly converging in the direction of the average, thus eliminating the large distortion between the price of "tradables" and that of "nontradables" that occurred immediately after implementation of the Real Plan.

3. Just as the sectoral price indexes have been converging, so we are also witnessing a convergence of the indexes produced by various sources (the INPC [National Consumer Price Index], the IPC-FIPE [Consumer Price Index-Economic Research Institute Foundation], and the IPA-OG [Wholesale Price Index-[expansion not given]). As a consequence, the discrepancies that once existed between calculations of the real exchange rate due to the deflators being used have been narrowing.

4. All projections by the various research institutes and economic analysts point to low inflation rates for this year (the FIPE's latest estimate was 12 percent), and that reinforces the deindexation process as part of a genuine "virtuous circle." Positive expectations regarding future inflation are a sine qua non for expanding and consolidating the deindexation process.

In view of that situation, the criticisms that occur are based on doubts as to the sustainability of those inflation rates in the medium term and the possible costs of the process.

Activity and Employment Levels

The precarious state of existing statistics results in a confusing picture and leaves room for unfounded criticisms. Specifically, it can be said that we are witnessing a big advance in the direction of a more normal situation without drastic variations such as those occurring in recent years.

There is not the slightest doubt that control of the inflationary process and confidence in the irreversibility of the structural changes which the Brazilian economy has been experiencing (the opening up of trade, privatization, and so on) are beginning to guarantee the medium-and long-term future, and this creates the necessary conditions for long-range planning and, consequently, the resumption of investment. Even better, it is also creating the conditions for the entry of new partners from abroad.

Also contributing to that scenario of reasonable growth without major variations is the return to normal conditions in various sectors that had suffered considerable negative impact during the first year of the Real Plan, examples being agriculture, capital goods (except for tractors, whose performance is still particularly poor), and auto parts.

Two other important factors justifying positive expectations regarding the prospects for growth are the transformation experienced by the Brazilian market following the introduction of the Real Plan and the consolidation of Mercosur [Common Market of the South] as a single market for some industries. Following years of stabilization at a low level of consumption or even of shrinkage in some sectors, the Real Plan and Mercosur's consolidation have significantly enlarged the consumer market, thereby justifying investments that were previously not feasible economically because of a lack of scale. The

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most forceful examples of the effect of that market expansion on investment decisions are the automobile industry and the consumer electronics industry.

At the same time, and despite the undeniable progress described above, a few questions remain, and they are not trivial. Four of them stand out. First, the adjustment by certain sectors to the drop in inflation is not yet over. Year after year of high levels of inflation made possible the emergence of various economic sectors that survived directly as a result of the "float" and indirectly as a result of their ability, thanks to the complete lack of transparence in relative prices due to high inflation rates, to pass any and all costs along to the prices they charged, even if those costs were due to their own lack of productivity or that of their suppliers. Obviously, that impunity in the matter of passing along their costs and the lack of interest in seeking to increase productivity depended not only on inflation but also on a closed economy guaranteeing a lack of competition. Inflation also caused the rapid growth of sectors providing an alternative for safeguarding value, and now those sectors will necessarily have to downsize.

For example, sectors such as small business, the telephone and real estate market, and others will continue to experience turmoil involving defaulting debtors and significant losses in owner's equity. Since that adjustment process will be not only intense but prolonged, we can expect it to be a source of tension for a long time to come.

The second major source of tension is the process of restructuring the most backward sectors of the economy, a process which, depending on the sector involved, is far from over. Some, such as the textile and footwear industries, are still facing a long and painful process of adjustment. Others such as the auto parts industry are already well along in the process. The difference in the intensity, speed, and thoroughness with which the various sectors have faced up to their restructuring has to do with their position in the productive chain and, chiefly, the new international dynamic. The entry of foreign capital has not only determined but also accelerated and intensified the adjustment in the auto parts industry. And sectors such as textiles and footwear, being less attractive to foreign capital, are suffering from, among other things, a lack of definite strategies for organizing the restructuring process and making it less chaotic and painful.

In those more traditional sectors, there is very considerable intrasectoral heterogeneity. One and the same sector includes "adjusted" firms which have not only modernized technologically but also recognized the abrupt change occurring in the profile of the Brazilian market as a result of the Real Plan. Others have adapted technologically but, because they do not recognize the changes in the market, are experiencing serious difficulties that may jeopardize their effort at technological modernization. And in that same sector there are firms which, either because of their inability to recognize the changes through which the Brazilian economy is passing or because of their lack of business and/or financial ability, are making no adjustments of any kind and which, consequently, are destined to disappear or to suddenly collapse.

Actually, we are witnessing the transformation process of what was one of the basic characteristics of the Brazilian industrial structure: the family business. The new parameters now emerging as a result of stabilization in combination with the opening up of the economy are imposing a new dynamic that greatly reduces, if it does not eliminate, the scope for the traditional family business. More efficient management and the need for significant amounts of investment and some kind of international integration as a result of the current process are incompatible with the old family business structure, which in some cases is still struggling nonetheless to survive.

The third source of tension is the number of defaulting debtors. Although the situation is generally improving in the case of individuals, the situation with companies is a mixture of cases of improvement and cases of large losses. This is explained by the fact that following the "scare" it received from the widespread deterioration in its receivables, the system (banks and large firms) is reorganizing rapidly to create more objective conditions for evaluating those sectors and/or firms with a chance of survival. Their loans are renewed. In the case of those regarded as unviable in their present condition, the situation continues to be very difficult.

In other words, until the adjustment of liabilities contracted in the euphoria following the Real Plan is absorbed (through capital losses or new credit conditions), we will live with default rates which are high but far from signaling the danger of a collapse in the payments system and, consequently, the banking system. That danger has already passed, given that most of the large firms have made their adjustment and that the adjustment within the core of major banks is essentially complete, even with the entry of new institutions from abroad (the BNP [National Bank of Paris] and the Dresdner Bank, for example).

The fourth major source of tension is perhaps the most serious. It results from problems involving the labor market and unemployment, where, unlike the other sources of tension, the solutions are underway but still

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embryonic. These are structural problems which, added to the cyclical problems, have social repercussions requiring quicker solutions.

Besides industrial restructuring, another cause of rising unemployment has been the adjustments in the financial system and the public sector. Contrary to what is being said, the latter has been making sizable adjustments, chiefly in the states, and unfortunately, the flip side to that is the rise in unemployment.

However, despite the dramatic nature of the unemployment picture in a country where minimum safety networks in the fields of health, housing, and so on have not been firmly established, it is important to point out that unlike the European countries and even Argentina, our shortcomings in education, health, and infrastructure require large investments in those sectors, which are major absorbers of manpower. The resumption of investment in those sectors will have a significant impact in helping to offset the trend in unemployment.

External Sector

Barring the possibility of an external shock, the external sector is ceasing to be a problem on stabilization's horizon. The trade balance is in equilibrium thanks to a rise in exports which, while not ideal, is pointing in a positive direction, international reserves are at a quite comfortable level, and their makeup is tending to improve thanks to the larger inflow of longer-term funds in the form of direct investments, the issue of primary securities, and unilateral transfers (the average term of foreign funds entering the country rose from 4.1 years in the third quarter of 1995 to 6.8 years in April 1996).

The major criticism in this area—that the delay in adjusting the exchange rate i[illegible]preventing a rise in exports and therefore increasing our dependence on the inflow of hot money—has proven to be essentially incorrect. Despite the tremendous lack of data in this area as well, the sparse indicators which do exist confirm that the advances in productivity that we have been making in recent years are significant enough to offset the delay, if any, in adjusting the exchange rate. Obviously, those productivity gains are not the same in all sectors of the economy, and consequently, some sectors are being more heavily penalized by the current exchange policy. Recent studies show that the more heavily penalized sectors are precisely the ones whose restructuring is less advanced—that is, the ones that have not made significant gains in productivity—examples being textiles and footwear.

Along with the productivity gains already achieved, it is not possible to think of the exchange variable without taking into account the vigorous process of reducing the "Brazil cost" that is underway. Although far from being as rapid and thoroughgoing as we would like, it is undeniable that progress has been made and the process is fully underway. The current situation in Brazilian ports cannot be compared to what it was two or three years ago. The privatization process with the Federal Railroad Network got off to a successful start. The country's main highway—the Presidente Dutra Highway—is now being managed by a private consortium. More and more concessions are being granted to the private sector in various areas of the economy and at various levels of government. Ten states are negotiating with the BNDES [National Bank for Social and Economic Development] and privatizing large segments of the infrastructure.

Depending on the sector of the economy involved, progress like that referred to above can mean significant cost reductions, thereby making the debate over delays in adjusting the exchange rate a false debate as far as the way it is being conducted is concerned. The important thing is to deepen and accelerate the process of reducing the "Brazil cost" in such a way as to ensure that increases in Brazilian exporting capability are being proven feasible.

Conspicuous by its absence from the debate on the external sector is the foreign trade policy. In that area, criticisms would indeed be appropriate and of the greatest importance. It is urgently necessary to improve our foreign trade policy. Having been a closed economy until very recently, Brazil has neither a tradition nor the tools for operating within the international organizations managing world trade. Our difficulty in that area has already revealed itself in numerous situations and is having consequences that must not be minimized. Obviously, talking about a foreign trade policy without also talking about an industrial policy is impossible, and that takes us to another sector in which we need to move ahead immediately.

Fiscal Area

This is the area in which the volume of negative news is large and, consequently, the one in which the Real Plan is being subjected to the greatest criticism.

1. The results for 1995 were significantly worse than those for the year before.

2. Although tax collections in March were very good, the monthly results through April 1996 were not brilliant.

3. Besides the fact that the stock of public debt in circulation rose considerably, a certain amount of time is required before the drop in interest rates is reflected in that stock of debt.

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4. The change in the payroll date for federal employees made the books look better in 1995, but it only delayed an expenditure which is now having a negative effect.

5. The balance in payables carried forward to 1996 is much higher than the amount carried over from 1994 to 1995.

6. The clarification and reorganization of large amounts of old liabilities such as those of the Bank of Brazil and Proalcool [Alcohol Production Program], among others, also contributed significantly to a worsening of the fiscal picture.

7. The difficulties we have been facing in Congress have increased negative expectations regarding the performance of the public accounts this year.

As a result of that roster of unfavorable news, there arises a scenario leaving room for questions as to the sustainability of the Real Plan. Criticism has been spreading among influential molders of public opinion—economic analysts in various institutions, the press, and the business sector—and the effect on international businessmen can already be noted in informal conversations.

It is therefore essential to dismantle that scenario by showing that the current administration does not consider the deficit issue a minor one and above all that due attention is being paid to the matter. The announcement in the near future of fiscal measures for this and coming years will help clarify the issue. In any case, analysts now have no difficulty agreeing that the operating deficit in 1996 will be less than half what it was in 1995.

Conclusions

Since its introduction in 1994, the Real Plan has been subjected to various criticisms. The first ones, immediately after the plan was announced, were emphatic in denying any possibility of success in combating inflation. Now, nearly two years after its introduction, the favorable results achieved in controlling inflation have practically eliminated those criticisms.

Next, at the start of 1995, came criticisms focusing on the problems that the plan was supposedly causing in the balance of payments. The predicted trade deficits and deficits in services were so large that they could only result in the plan's implosion due to an exchange crisis.

When, in the middle of the year, the economic policy clearly signaled that a higher trade deficit would not be permitted, the criticisms shifted their focus and emphasized the deepness of the recession, which they said would be "crushing," especially in 1996. And again in that case, reality imposed its presence thanks to a different picture.

The current criticism, much more sophisticated, claims that the Real Plan suffers from the Mexican syndrome. Brazil is supposedly doomed to low growth rates because it chose an exchange anchor with a high exchange rate. Any acceleration in the growth rate, no matter how slight, would supposedly lead to unsustainable trade deficits in the long run. The reason given is that imports will explode while exports will continue their mediocre performance due to the loss of competitiveness brought on by the high exchange rate.

What is more, it is claimed that the need to finance imports, which will be stimulated by the high exchange rate no matter how fast the economy grows, will force us to keep interest rates high as a means of attracting foreign capital, and that will contribute to a continuing low rate of growth.

Despite the coherence of its arguments, that criticism makes a basic mistake because it is based on a false premise: that there exists a hopelessly high exchange rate. The basic point which it fails to consider is that the Brazilian economy is experiencing a thoroughgoing transformation requiring a little more sophistication in the debate on exchange policy than that involved in a simple comparison of rates.

Although it is far from showing the speed, intensity, thoroughness, and especially the ease that we would like, no one can deny that the restructuring of industry is making progress. In some sectors such as the automobile industry, it is progressing more rapidly, and in others such as textiles and footwear, it is progressing more slowly, but it is progressing.

The same is true of the process of reducing the "Brazil cost." Although it, too, is far from proceeding as quickly or as thoroughly as we would like, no one can deny that progress has been made, and the process is fully underway.

Together, and depending on the sector, the process of restructuring industry and that of reducing the "Brazil cost" are already producing sizable cost reductions that make the debate over the delay in adjusting the exchange rate a false debate in the form in which it is being conducted. Regardless of the tremendous difficulty involved in accurately measuring the gains in productivity that various segments of the economy are achieving, and we recognize that the difficulty is not minor, it would be incorrect, to say the least, to ignore those gains just because they are difficult to measure.

Besides the questions directly related to the cost of exchange, it should be remembered that control of the

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inflationary process and confidence in the irreversibility of the structural changes being experienced by the Brazilian economy (the opening up of trade, privatization, and so on) are beginning to guarantee a medium- and long-term future that is crucial to investment decisions. What is more, when added to the possibility of planning, the market expansion produced by stabilization and the consolidation of Mercosur as a single market has been stimulating the interest of foreign partners and simultaneously increasing the possibilities for a return to high levels of investment.

Like any nonlinear process, the restructuring process being experienced by the Brazilian economy is difficult to assess, chiefly because of the heterogeneous nature of situations that have been occurring within and among the various sectors of the economy. Besides the lack of data and information, analysis is made more difficult by the quite negative view which sectors and segments unable to keep up with the current process have been trying to convey to the public. It is therefore essential to separate the problems due to temporary issues (high interest rates) from the more serious difficulties caused by the inability to adjust to an open economy with a low inflation rate.

Early conclusions reveal that the Brazilian economy is going through an impressive restructuring process and that contrary to what is being said, that process is leading it into a "virtuous circle" which, if not interrupted by some hitch due to stabilization, will guarantee its dynamism and the return to high rates of growth.

Chile

Chile: Frei Evaluates EU, Mercosur Agreements

PY2606150696 Santiago EL MERCURIO in Spanish 24 Jun 96 pp A1, A12

[Article by Maria Jose Errazuriz]

[FBIS Translated Text] Buenos Aires — President Eduardo Frei said on 23 June that with the signing of the agreements on political and economic association with the European Union, EU, and the Common Market of the South [Mercosur], Chile is in a very favorable condition to resume negotiations with NAFTA members.

Frei, in an interview with EL MERCURIO, emphasized the importance of the agreements reached with two of the most important trade blocs for the national economy.

He also reassured that the agreement to be signed on 25 June with Mercosur will be ratified by Congress. He also believes that all the demands made during the negotiating proce[illegible] were resolved satisfactorily. He pointed out, however, that all trade agreements are normally reviewed on their progress.

On his return trip from Florence, Italy after a technical stopover in Salvador de Bahia, Brazil, President Frei received EL MERCURIO chief editor Juan Pablo Illanes and this reporter for an interview on various aspects of the trade agreements. Frei, who is satisfied with the achievements of his foreign policy, also talked about domestic matters such as the coal miners crisis, the protests over the building of the GasAndes gas pipeline, and the disagreements within the Coalition of Parties for Democracy.

Today, Frei will have lunch with the presidents of the Mercosur countries to celebrate, in advance, the signing of the trade agreement, and his 54th birthday. Members of his delegation said that his best birthday gifts are the agreements with the EU and Mercosur.

[EL MERCURIO] Mr. President, an unusual event has happened with the signing of two trade agreements such as the ones with the EU and Mercosur in less than one week. What are their outstanding aspects?

[Frei] I am very proud as a Chilean because, sitting in front of 15 European leaders in a ceremony perhaps unique for a country that is not part of that community, it is a recognition for what Chile represents, its democratic values, its economic development, for the entire process the country has experienced. It is a sign of confidence for what we represent, for what we are, for what we are doing. For Chile this is a great opportunity because a process begins here. We had cooperation agreements with the EU in the past but now we are talking about political, trade, economic, and cooperation agreements, which will mean progress in trade. Practically 80 percent of current Chilean exports to the EU involve eight or nine products such as copper, fishmeal, cellulose, fruit and vegetable products but from now on we will be able to export products with more added value.

[EL MERCURIO] Mr. President, how does the agreement facilitate the export of more elaborated products?

[Frei] Being a trade agreement, the progressive and reciprocal liberalization of all trade is prepared with the purpose of encouraging the growth and diversity of trade. When developing countries export raw material, they have no problems but if we export manufactured products, tariffs, additional duties, and quotas are increased.

The agreement created the mixed commission and the trade subcommission precisely to reduce tariffs. At the same time all the aspects related to cooperation we had on technology, telecommunications, environment,

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education and training, agriculture, and industry are maintained. It is a very broad agreement.

[EL MERCURIO] You have pointed out that the fact that Chile will sign an accord with Mercosur will increase the possibilities of the framework agreement with the EU. Now, we know that the EU is interested in strengthening regional integration endeavors. Do you think that Chilean negotiations may be delayed if both processes are linked together?

[Frei] No, because the EU has spoken highly of the accord we are going to sign with Mercosur. The EU deems that this common market has had quite a success in a relatively short period of time. Let us not forget that tracing European integration back to the European Coal and Steel Community in 1950's, it took the Europeans nearly 40 years to reach their present stage. Although we have been talking about the integration of Latin America for decades, Mercosur was really set into motion in five or six years. In other words, the fact that Chile will export 15 or 20 percent of its manufactures to Latin America, and particularly to Mercosur, will give fresh impetus to the Chilean economy. This, in turn, will create a very different pattern of investment flows since one thing is to invest in a country having a population of 14 million and quite a different one is to consider investing in a market comprising 250 million people which has enormous potential.

[EL MERCURIO] Chile is actively participating in three blocs, namely APEC [Asia-Pacific Economic Cooperation forum], Mercosur, and, as of tomorrow, the EU. Is Chile in a position to have a presence in these three markets? What are the concrete challenges facing our country in the immediate future?

[Frei] One has to bear in mind that those are three different processes. APEC is a commercial, economic, and political forum which never enters into tariff agreements. As far as Mercosur is concerned, we have agreed to phase out tariffs in the forthcoming years. It goes without saying that this poses a challenge to companies. Companies need large markets and therefore, it is impossible for a company to have sustainable growth in the long term if it only targets a market of 14 million consumers.

Concurrent with this, European, Asian, and North American entrepreneurs have set their sights on conquering the Southern Cone market. This is why it is so important for Chile to be actively engaged in all these markets. As for the accord with the EU, it marks the beginning of a process.

[EL MERCURIO] Chile has established the year 2005 as a deadline for liberalizing its trade with the three blocs. Is Chile prepared to meet this deadline? What changes must be effected now?

[Frei] Trade liberalization in Chile will take some years. Chile levies a tariff of 11 percent practically across the board. Besides, we have signed investment promotion and protection agreements with nearly all the countries in the world. Now, we have to embark on the third stage, which is the issue of double taxation.

Little by little, our country has been prepared to compete in a globalized world. It is my considered opinion that the great challenge facing our country is education and training. In order to export goods having greater value added by manufacture we need modern technologies to absorb the new technologies to be acquired, we need more expertise. In short, this means to lift our country up from underdevelopment.

[EL MERCURIO] Chile has been regarded as a bridge linking the Americas and Asia, and now as a service-providing link between the Americas and the EU. Do you trust in Chile's ability to prepare its service sector so that it can rise to the task, i.e. will Chile manage to enlarge its ports, airports, road infrastructure?

[Frei] We have made a bid for — and I have passionately gambled on it since I took office — developing our infrastructure by incorporating private investments. In order to be competitive in the service sector, we must have good airports, ports, and a better network of roads and railways. Toward this goal, we have invited the private sector to invest in this endeavor since it is impossible for the state to correct all by itself this tremendous deficiency we have in infrastructure.

Moreover, this issue has aroused a lot of interest abroad. For example, President Jacques Chirac had the development of Chilean rail and telecommunications at his fingertips and was very much interested in having French companies invest in the sector of energy, railways, and the development of Chilean infrastructure. All the policies on infrastructure that we have set into motion are fundamental for the issue of services. Furthermore, Europeans have expressed enormous interest in investing in this area in Chile, something which we can already see for ourselves. Many international consortia have put in a tender for the privatization of Chilean Rail and more than 23 consortia have submitted a tender for the privatization of Colbun Machicura Inc. [electric company]. In addition, there is extraordinary interest in the issue of sanitation.

[EL MERCURIO] Following the signature of accords with the EU and Mercosur, isn't it time we reactivated negotiations with NAFTA?

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[Frei] We have been extremely clear regarding that subject — Chile is prepared to start those negotiations, but it is not up to us to take the first step. It all depends on the Clinton administration's political will concerning the definition of the criteria for the negotiations, which must be agreed upon with Congress. There is no denying the fact that having signed an accord with the EU and Mercosur, Chile is at present in a most favorable position.

[EL MERCURIO] Chile and the four member states of Mercosur have hammered out an agreement after surmounting some hurdles. Mr. President, what image does the signing of this accord project onto the world?

[Frei] The central thing is that there was a very clear political decision to make strides in the integration of the southern cone countries. This was clearly perceived at all bilateral meetings in Florence. Despite all the complexities, difficulties, and obstacles, the five presidents had the political will to make headway in this endeavor and strike a bargain. This was extremely welcome and highly valued by all the EU heads of state.

Furthermore, we are sending a very strong signal to the international community. At present, there are countries like Venezuela, Colombia, and Bolivia, which are negotiating their incorporation into Mercosur. In other words, we are making strides in our integration endeavors.

[EL MERCURIO] Chile's saga has not yet ended. You have expressed your intention of submitting the accord with Mercosur for ratification. What do you expect from congressmen?

[Frei] I am convinced that Congress will ratify the accord, which has been extraordinarily important for our country. Besides, the subjects that have cropped up of late have been taken into account and skillfully negotiated. Undoubtedly, all this is perfectible. What we have always pointed out is that the agreement must be signed sooner or later and that as we make progress in the integration of our economies, we will resolve our differences. Just to give you an example, there are those who contend that we should expedite the elimination of tariffs. This is a matter that can be easily discussed.

I am convinced that the accord is beneficial for Chile and the most palpable proof of this is what the Mercosur local press have said about this. The Argentine press have pointed out that vast Chilean sectors have been benefited with this accord. This is the clearest demonstration of the fact that we have struck a good balance.

[EL MERCURIO] Mr. President, what role should businessmen who support the accord play in its ratification?

[Frei] I think that they ought to voice their opinion. When we were touring Argentina and Brazil, many businessmen clearly pointed out that their companies are highly dependent on Mercosur. Therefore, it is a good thing that businessmen should give their opinion and underscore how beneficial this accord is for the country, for creating new jobs, and for remunerations.

[EL MERCURIO] You are confident that Congress will ratify the accord with Mercosur. Nevertheless, if this were not the case, would you be willing to request Mercosur to hold another round of negotiations?

[Frei] No. I am absolutely certain that Congress will ratify the accord by a large majority. Once the agreement is signed and the ministers appear before Congress, particularly the foreign and economy ministers, lawmakers will be able to see for themselves how beneficial this accord is for our country.

Now, it goes without saying that Chile's international opening will be gradual. We are all aware of the fact that not all sectors of our economy are streamlined or progress at the same pace. Therefore, we must help and promote the modernization of these sectors, which after all is something beneficial for them. I have always said that we are an open economy, which faces competition with or without Mercosur, with or without the EU.

[EL MERCURIO] Has traditional agriculture been sufficiently protected by this accord?

[Frei] I think that the transition period (for the elimination of tariffs) is sufficiently long. What is more, we have settled the issue pertaining to wines, textiles, leather, and footwear. In sum, we have satisfactorily dealt with all the subjects that have been raised and in the forthcoming years, we will surely get requests asking that this transition period be shortened, as some have already done. Those sectors which are more dynamic and which are using state-of-the-art technology will be in favor of expediting this process. In short, Mercosur mechanisms will enable us to move ahead faster in the future.

[EL MERCURIO] Would it be possible to review those points which may have an adverse effect on some sectors of the Chilean economy?

[Frei] Of course. If you see how Mercosur operates, you must have noticed that there were differences between Brazil and Argentina over the automotive sector. Well, they both came to the negotiating table to discuss this issue and thus come to an agreement. This is what actually happened. The same holds good in the case of the controversy over the ban on British beef, as we have seen in Florence.

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[EL MERCURIO] Don't you believe that the success in foreign policy with this type of agreement is far away from the people's problems?

[Frei] If we add exports, imports, and services, they represent 55 percent of Chilean products. In other words, 55 percent of what Chile produces is in foreign trade, therefore there are hundreds and thousands of Chilean jobs that depend on foreign trade. If we were not reaching this type of agreements, the harm we would be doing to the future of the Chilean economy would be of unpredictable consequences. We are opening opportunities, we are creating more room. If we did not do it, history would judge us.

[EL MERCURIO] Mr. President, you say that these agreements are for the direct benefit of workers through jobs and income. But, what do you feel when this reality contrasts with the situation of the coal miners who will get no benefit from the agreements?

[Frei] We proposed a long time ago an overall solution for the Golfo de Arauco region and this is a sector that must enter a process of integration and modernization. This issue is not new, it was an issue in England, in Spain, in many countries. Therefore, the country will have to make a great effort of investment and see the new opportunities emerging for new investments. This is what we are doing when we submitted to Congress a bill for developing the southern region. This is the work plan in the country for those sectors that are outside the modernization process the country is experiencing.

[EL MERCURIO] The coal miners strike has gone for more than 30 days. Will the government be willing to close Enacar [National Coal Enterprise] if the situation puts this company at the brink of bankruptcy?

[Frei] We have clearly pointed out what the path is. The country and the workers know it and we believe it is the correct solution. This is why we have insisted and will continue to insist on this path.

[EL MERCURIO] This conflict led to problems within the Coalition of Parties for Democracy. You called on the PDC [Christian Democratic Party] and the PS [Socialist Party] to resolve their internal disputes. Will you insist on this issue during the upcoming PDC National Board meeting because this conflict is taking away the support your government needs?

[Frei] I don't think this problem is taking away the support for my administration. We are part of a government coalition and an experience reaffirms convictions. There is currently a solid government in Italy because there is a great coalition, and countries need broad coalitions because all social and economic processes are sustained in a great political stability, and the great objective of my administration is to maintain a great political stability in the country.

As long as we have political stability, great coalitions supporting the government, and a responsible opposition to debate the great national issues, the country wins. This is universal experience and it is the experience we gained in Europe.

Colombia

Colombia: Samper Says Ties With U.S. in 'Recovery Ward'

PA2706022196 Madrid EFE in Spanish 2041 GMT 26 Jun 96

[FBIS Translated Text] Santa Fe de Bogota, 26 Jun (EFE) — Colombian President Ernesto Samper said today that the country's relations with the United States are no longer "in the intensive care ward" but have moved to the "recovery ward," so to speak.

Samper made this remark two days before the Foreign Relations Advisory Commission is scheduled to meet to debate the incidents and litigations that have disrupted the normal ties between the two countries.

The Commission, which was called for a meeting by Deputy Foreign Minister Camilo Reyes, will also discuss the status of the relations between Colombia and Venezuela and matters inherent to the Nonaligned Movement (MPNA), over which Colombia has been presiding since October.

"The relations between Colombia and the United States are in the recovery ward, so to speak," Samper told to local newsmen who attended the swearing-in ceremony of four Supreme Court of Justice magistrates.

Samper said that the relations "are already out of the intensive care unit" in an implicit reference to the incidents that have strained the relations between the two countries in the past few days. "I think that, despite all the difficulties and setbacks that accompany relations marked by such a sensitive and hard-to-handle subject like drug traffic, we have a definite position and will maintain it," he said.

The Colombia-U.S. relations have recently been marked by charges that the local secret police had been spying on the U.S. Embassy in Santa Fe de Bogota and a civil aviation litigation.

These matters will be considered on Friday by the Foreign Relations Advisory Commission, made up of former Colombian presidents, as well as congressional and government delegates.

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Colombia: Justice Minister Denies U.S. Extradition Request

PA2706005496 Madrid EFE in Spanish 2309 GMT 26 Jun 96

[FBIS Translated Text] Santa Fe de Bogota, 26 Jun — Colombian Justice Minister Carlos Medellin said today that "it is impossible" to honor a U.S. Government request to extradite four Cali cartel kingpins.

Medellin confirmed that he "unexpectedly" received from U.S. Ambassador Miles Frechette an initial request to extradite brothers Gilberto and Miguel Rodriguez Orejuela, Helmer Herrera, and Juan Carlos Ramirez Abadia.

Medellin spoke to Colombian radio stations from New York, where he is currently attending a UN Economic and Social Council meeting on drug traffic.

Brothers Rodriguez Orejuela and Ramirez Abadia are in prison. Herrera, a.k.a. Pacho, is the only one at large.

The extradition treaty with the United States has not been ratified by the Colombian Government. The Supreme Court of Justice declared unconstitutional the law that governed it. That law, Medellin said, "has not been incorporated into the national juridical order" because the Supreme Court of Justice declared it unconstitutional, not once, but twice, after then President Virgilio Barco tried to "revive" it in 1987.

According to Medellin, prior to requesting an extradition, there must be more U.S. cooperation in the counterdrug struggle. "If my personal opinion is asked on whether I would rather strengthen the Colombian legal system, I would have to answer, as a Colombian citizen, minister, lawyer, and law student, that I would, of course, choose to strengthen the Colombian juridical system," he said.

The minister confirmed that he received from Frechette the official files that must be certified by Colombian authorities in Washington. As usual, in those instances, the request will be handled through the Foreign Ministry.

Medellin also said: "We cannot handle the counterdrug struggle from the extradition viewpoint alone" because this instrument "is not a panacea" in the counterdrug struggle.

He complained that, in this struggle, "we have been by ourselves for a long time. We have been alone for 20 years. We do not want to close the century in isolation in the struggle against drug traffic."

He demanded international solidarity and insisted that this struggle "should not be limited to extradition."

If this were the only recourse to solve the problem then "we, the Colombian people, would be the first to raise our hands to do it."

Luis Fernando Duque, president of the Chamber of Representatives' Foreign Relations Commission, said that this U.S. request cannot be honored simply because "it is unconstitutional."

Colombia: Justice Minister on Refusal of Extradition

PA2706022996 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 27 Jun 96

["24 Hours Newscast"; monitored from live relay by Lima Sistema Unido de Retransmision Television]

[FBIS Translated Text] The United States has officially requested the extradition of brothers Gilberto and Miguel Rodriguez Orejuela and Juan Carlos Ramirez Abadia, who are in prison, and of Elmer Herrera Buitrago, who is a fugitive.

The request was made with basis on the bilateral treaty of 1979, according to what the U.S. Embassy confirmed today.

The extradition request was made by U.S. Attorney General Janet Reno in a letter sent Monday to Colombian Justice Minister Carlos Medellin. In her letter, the U.S. official notes that if Colombia decides to extradite the four Cali cartel chieftains, it would be showing the international community that it is prepared to assure that drug bosses experience the full weight of the law.

Our correspondent Raul Gutierrez has established telephone contact with Minister Medellin, who is in New York for a UN conference on narcotics. This is what he said on the extradition request.

[Begin recording] [Gutierrez] Mr. Justice Minister, how will Colombia respond to the request for the extradition of the Rodriguez Orejuela brothers, Herrera, and Ramirez?

[Medellin] Colombia's current legal system does not permit the extradition of Colombian nationals. The extradition treaty of 1979 was incorporated to our legal system through a law, but that law was declared unconstitutional. This means that this treaty does not form part of our legal system and, besides, as everybody knows, our Constitution prohibits extraditions.

[Gutierrez] What about the need and the obligation we have to cooperate with the United States?

[Medellin] There are two concepts from which we can choose: extradition or the strengthening of Colombia's legal and judicial system. As Colombian, as attorney,

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and as justice minister, I have both a conviction and the obligation to strengthen Colombia's judicial system before considering an extradition. [end recording]

Colombia: Ex-DAS Chief To 'Make Peace' With U.S. Envoy

PA2706001096 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 26 Jun 96

[From the "National Newscast"; monitored from live relay by Lima Sistema Unido de Retransmision Television]

[FBIS Translated Text] Marco Tulio Gutierrez, outgoing DAS [Administrative Department of Security] director, early this morning began to change his tune. He said he is not surprised over his removal and that he wants to make peace with [U.S. Ambassador Myles] Frechette. Gutierrez spoke this morning with the "National Newscast" about the controversial topics that recently surrounded him.

[Begin recording] [Reporter Ana Fernanda Valderrama, identified by caption] Even though you presented your resignation, you wanted to stay in office in order to finish many of the things you had started. What happened yesterday?

[Gutierrez] What I said was that I was not going to run, certainly not at this stage of my life. Can you imagine someone pulling my ears for nothing? My wife is the one who pulls my ears when she tells me, that's it, you are disqualified.

Tomorrow, I will have an opportunity to meet with the U.S. ambassador. I hope and I expect we will be able to clarify things. I would prefer to smoke a peace pipe.

I should understand his language. I greatly appreciate him and I have a way about calling a spade a spade. You see, in Tolima they taught us to look people straight in the eye and to call things the way you see them. That is what I did.

I stand by the things I have said and done. [end recording]

Colombia: Consultant Says U.S. Sanctions Would Violate WTO

PA2606192496 Medellin EL COLOMBIANO in Spanish 20 Jun 96 p A8

[FBIS Translated Text] Santa Fe de Bogota (Colprensa) — If the United States decided to impose economic sanctions on Colombia by implementing higher tariffs that those in effect for third countries, it could be violating international agreements, such as the WTO.

The U.S. Government could suspend the Andean preferential tariff agreements included in ATPA [Andean Temporary Protection Tariff] at any time it felt it was appropriate, and the suspension would not be subject to appeal because these are non-negotiated temporary trade benefits.

Private consultant German Umana stated this during the seminar organized by Analdex [National Association of Exporters] and DHL and entitled: State and Private Enterprise: Allies or Enemies Faced With the Challenge of Competitiveness

Umana pointed out that if the Unites States increases the tariffs for a group of Colombian products to a higher level than established for third countries, in would be engaging in unilateral sanctions, which violate the agreements signed within the WTO.

SUBSIDIES ARE NOT FEASIBLE

Moreover, it would not be feasible for the Colombian Government to begin granting subsidies to offset the economic sanctions because it would violate the principles established by the WTO.

Umana indicated that a virtual elimination of ATPA would not be a drastic measure against the Colombian export sector, although, without a doubt, the direct effect on some aspects of the economy, such as the flower sector, would be severe, and the government's strategy should be in that direction.

Umana explained that the decertification cannot be directly related to the immediate suspension of ATPA since the certification obeys independent rules and its validity depends on a periodic evaluation of the struggle against drug trafficking.

In Umana's opinion, one should begin to analyze whether life without ATPA would be so difficult for the private sector, because it could be severe for flower growers, but not for the country.

Umana pointed out that Colombian exporters did not arrange their export plans based on preferential rates that could vanish at any moment and had a 99 percent risk level.

Umana added that the elimination of ATPA would not be a punishment but the suspension of a "gift" by the U.S. Government, resulting from concern, not from any negotiation.

Moreover, Umana reiterated his criticism of the model for trade integration implemented in recent years, because it has only helped to intensify the opening of the

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markets, not to consolidate the achievements in the development, competitiveness, and diversification of exports.

Umana added that after seven years of neoliberal policies, the positive results of the opening have not been given because integration was not introduced as an objective, but as an element to reinforce the neoliberal model.

Colombia: Justice Minister To Address UN on Drug Fight

PA2606153896 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 25 Jun 96

[From the "National Newscast"; monitored from live relay by Lima Sistema Unido de Retransmision Television]

[FBIS Translated Text] Justice Minister Carlos Medellin flew to New York this morning. Once Again, Colombia will address the United Nations and speak about drug trafficking. Colombia will present its plan to fight drugs and will again appeal for international support. We spoke with the minister before he boarded his plane.

[Begin Medellin recording] Colombian efforts will be useless unless we also see an effort to curb drug consumption in consumer countries. [end recording]

The content of Medellin's New York speech is the same as the ones his predecessors and other ministers have given at other international meetings. During his speech at the UN Economic and Social Council, Medellin will present his government's proposals for stiffer sentences for convicted drug traffickers and the confiscation of their properties. The minister also mentioned the list of 280 companies and persons who, according to the Clinton administration, are linked to the Cali cartel, including La Rebaja Drugstores, Miguel Rodriguez and Son Investments, and (Crosco Laboratories). Medellin reiterated that these activities are very difficult to control, but efforts are being made to prevent those on the list from continuing their money-laundering activities.

Colombia: Valdivieso Criticizes Traffickers' Sentences

PA2306221396 Madrid EFE in Spanish 1747 GMT 22 Jun 96

[FBIS Translated Text] Cartagena de Indias (Colombia), 22 Jun (EFE) — Colombia's Prosecutor General Alfonso Valdivieso admitted today that the policy of allowing local drug traffickers to surrender to justice does not speak well for the country abroad.

Valdivieso said to the media at the Caribbean seaside resort town of Cartagena de Indias, that this policy provides legal benefits that allow "capos" to serve "meager" prison sentences.

The prosecutor general said this in view of the upcoming release of the Ochoa Vasquez brothers — Fabio, Jorge Luis, and Juan David — members of a group that belonged to the defunct Medellin cartel. This cartel was once led by Pablo Escobar Gaviria, a "narcoterrorist" killed by the authorities.

The Ochoa brothers surrendered to Colombian justice after the government adopted a new policy early this decade. This policy offers sentence reductions in exchange for their surrender and confession.

The Ochoa brothers will be released in the following weeks after having served less than five years at Itagui, a maximum security prison located near Medellin.

The prosecutor general pointed out that the judges proved the brothers' involvement in drug trafficking, and this is why he considered the time they have spent in jail as "very meager, very short."

"This kind of lenient punishment does not speak well for us abroad," regretted Valdivieso, who heads a large investigation into the financial involvement of drug traffickers in Colombian politics.

Colombia: Samper Notes Creation of Environmental Permit

PA2306024796 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1700 GMT 20 Jun 96

[From "The Midday Newscast"]

[FBIS Translated Text] Cartagena — Today, the national government officially announced that special regulations will be issued to establish in Colombia the single environmental permit [licencia unica ambiental]. During his visit to Cartagena to attend the Forum [word indistinct] of Colombia's Future, President Ernesto Samper Pizano said that this mechanism will attempt to eliminate an overwhelming number of absurd steps and procedures.

[Begin Samper recording] The Environment Ministry will issue a resolution, whereby it will establish the single environmental permit to eliminate an overwhelming number of absurd and unnecessary steps and procedures that are hindering progress, particularly local procedures. [end recording]

President Samper also said that the media should be an ally to defeat the blight of corruption in Colombia. He added that with this purpose in mind, he will create the

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first national investigative journalism award against this scourge, which affects the Colombian people.

Colombia: Police Arrest Members of Counterfeiting Ring

PA2506175696 Madrid EFE in Spanish 2037 GMT 24 Jun 96

[FBIS Translated Text] Santa Fe de Bogota, 24 Jun (EFE) — Yesterday, three Colombians belonging to a counterfeiting ring, which managed to print about $20 million in bills and travelers' checks, were arrested here, the Police have reported.

They were caught by surprise in downtown Santa Fe de Bogota while making a deal involving nearly $1 million in bills and checks.

Spokesmen for the Colombian National Police told the media that the printing house, where the group printed the illegal money, was found in a subsequent operation.

According to the sources, the counterfeit money was sent abroad. They identified the counterfeiters as brothers Hector Dario and Jose Antonio Zambrano Forero and Jose de Jesus Marin Ospina.

Colombia: Divisions Within Conservative Party Viewed

96SM0403A Santa Fe de Bogota SEMANA in Spanish 25 Jun 96 p 1

[Received via Internet]

[FBIS Translated Text] If anything has been made clear since the president's trial it is that, contrary to Ernesto Samper's earlier proclamation that, at the end of the trial, neither winners nor losers would remain, there are many sectors that have been victims of the thrashing received from the political crisis. And one of those most harmed has been the Conservative Party. After having been only 130,000 votes short of winning the presidency in 1994, the Conservative Party has, in the course of two years, become a party disintegrated by division, lack of leadership, and inability to become an alternative power.

Last week's decision by a group of Conservatives, estimated as comprising 22 representatives and 11 senators (that is, 37 percent of the Congress members), to support President Samper against the party's instructions, served only to attest to a division that has been brewing for some time. The first steps in this split were taken in March 1994, when a group of Conservative leaders, including Rodrigo Marin Bernal, who until then had been a loyal follower of Alvaro Gomez, decided to back Ernesto Samper's candidacy. This nascent division has been gaining strength since the political crisis was triggered and, despite the fact that the party had a role in the government, some Conservatives kept their distance.

When Fernando Botero talked, and the Board of Directors ordered the withdrawal of the cabinet, the division became evident. This occurred not only because Rodrigo Martin and Orlando Obregon remained in the government, something taken for granted, but also because a sizable group of Conservatives, headed in the House by Isabel Celis, decided to depart from the party's guidelines and remain on the president's side. The impact of the so-called "lentils" was felt during the trial on the occasion of the vote in the House when 22 votes were cast by them in the president's favor, even if these votes were not decisive in determining the outcome. If they had voted the other way, it would have narrowed the difference in the result, making the balance 89 to 65 instead of 111 to 43.

The tragic aspect of the Conservative Party's situation is that it went from being the indispensable partner of any government to being just another minority, without any possibilities in sight of recovering its capacity for influence. With Alvaro Gomez dead and Misael Pastrana seriously ill, the party has been left orphaned, and it is impossible to discern who could assume the leadership to reorganize it. Those aligned do not pay any attention to Arias, nor do the "lentils" heed Gerlein, and their positions appear irreconcilable for the present. On the one hand, Roberto Gerlein, as he told SEMANA, holds the view that, "With the House decision, the trial against the president is a res judicata [case already decided judicially], and the only viable action at present is to lend him political support so that he can reorganize the nation." On the other, the chairman of the Board of Directors, Jaime Arias maintains: "Let those who want to go along with Samper go, and if they want to return, let them return. But we shall continue to put up opposition to Samper until the end, because it is a matter of principle."

The most serious part of all is the fact that the Conservatives are not the only losers in this episode. In any democracy, and all the more so at times of uncertainty and anxiety, it is essential to have a strong opposition party that could become an alternative. But, as matters stand now, it is most likely that, although Andres Pastrana and Noemi Sanin may retain their status with an option in the polls, at election time they will not find a party that can lead them to power.

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Ecuador

Ecuador: Duran-Ballen, U.S. President View Peace Process

PY2606223696 Quito Voz de Los Andes in Spanish 1700 GMT 26 Jun 96

[FBIS Translated Text] Before returning to Ecuador from Washington D.C. this evening, President Sixto Duran-Ballen is to meet with a group of U.S. senators and the deputy secretary of state.

Duran-Ballen held talks with U.S. President Bill Clinton at the White House yesterday. They discussed the peace process in which Peru and Ecuador are engaged with the cooperation of Argentina, Brazil, Chile, and the United States. These four countries are the so-called guarantors of the 1942 Rio de Janeiro Protocol, an accord that tried to settle the differences between Quito and Lima following a brief war in which Ecuador lost nearly half of its territory to Peru. Despite the signing of this treaty, tension in the border area persisted and sporadic clashes between both countries flared up, culminating in a brief but bloody armed confrontation at the beginning of 1995. At present the guarantors maintain a mission of observers known as the MOMEP [Ecuador-Peru Military Observers Mission] in the border area to facilitate compliance with the cease-fire accord signed by the governments of Lima and Quito, which provided for the separation of troops.

Duran-Ballen reported that during his meeting with Clinton, he commented on the need for the United States to remain as part of MOMEP beyond 6 December, the date on which the United States intends to pull out its troops.

The head of state further reported that neither Clinton nor himself had broached the issue of the recent Ecuadoran suggestion that the guarantors should name an internationally known illustrious person to mediate in this conflict if the feuding parties fail to reach agreement.

Ecuador: Leoro Denies U.S. President's Remarks 'Pressure'

PY2606162296 Madrid EFE in Spanish 1333 GMT 26 Jun 96

[FBIS Translated Text] Quito, 26 Jun (EFE) — Foreign Minister Galo Leoro stated today that the remarks made by U.S. President Bill Clinton, who called upon Ecuador and Peru to settle their border dispute "as soon as possible," do not constitute an attempt to pressure Quito and Lima.

In a telephone interview with Radio Centro, Leoro declared: "The expression 'as soon as possible' is a general wish. Personally, I would not consider it as pressure."

The foreign minister said finding a solution to the border conflict with Peru "is an aspiration with which everybody is inspired." Leoro added that it would be nice if the dispute were settled before the end of the presidency of Sixto Duran-Ballen, a conservative. The minister nonetheless explained that the "border controversy is difficult, and will take time to be resolved."

The head of the Foreign Ministry revealed that the head of state will meet this afternoon with representatives of the U.S. Department of State and Luigi Einaudi, the U.S. envoy for Latin American Affairs, to discuss the peace process between Ecuador and Peru.

The United States, Argentina, Brazil, and Chile are guarantors of the Rio de Janeiro Protocol — an accord signed in 1942 to establish the border between Peru and Ecuador — and of the 1995 peace agreements, which prevented the armed conflict between these two Andean countries from escalating into a full-scale war.

In the course of his meeting with Clinton yesterday, Duran-Ballen reiterated Ecuador's stance on the long-standing border dispute with Peru over the tract that lacks landmarks along the common frontier in the Amazon region.

Having stated that Clinton was "very receptive" to what Duran- Ballen said during their meeting, the foreign minister observed that "nobody expected these diplomatic talks would yield an immediate result. The idea was to reiterate Ecuador's position and to convey it directly to the United States."

The head of the Ecuadoran diplomacy added: "It would be most unusual for one to obtain an immediate response from such a meeting, but the important thing is to have expounded to him our reasons" for this territorial dispute.

Ecuador: Army Commander Rules Out Possible Military Coup

PY2606233896 Madrid EFE in Spanish 1709 GMT 26 Jun 96

[FBIS Translated Text] Quito, 26 Jun (EFE) — According to Ecuadoran Army Commander General Paco Moncayo, Peruvian military officers are reluctant to adequately fulfill the Itamaraty Peace Agreement, and this is one of the main causes that has decelerated the peace process between Ecuador and Peru.

In remarks published today by the daily EL MERCURIO, Moncayo said that after the armed conflict between Ecuador and Peru at the beginning of 1995, "we have

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seen with optimism the possibility of achieving progress with the Itamaraty Peace Agreement, and later with its ratification in Montevideo."

He added: "Shortly afterward, we began to observe the reluctance of the Peruvian military sector to adequately fulfill the Itamaraty agreement" signed at the Brazilian Foreign Ministry on 28 February 1995, dealing with a stretch of the common Amazon border that lacks border markers.

According to the Ecuadoran Army commander, that is one of the causes that has decelerated the peace process between the two Andean nations. Moreover, remarks by "Peruvian Government officials" have not "contributed much" to that process either.

Ecuador and Peru are engulfed in a process of political and military talks in an effort to find a definitive solution to the territorial conflict that has led them to wage three wars over the past 50 years.

Gen. Moncayo also acknowledges that one of the elements that has reduced the pace of talks has been the fact that Ecuador is engaged in a full electoral process that will conclude on 10 August with the inauguration of conservative President Sixto Duran-Ballen's successor.

"A month before leaving power, a president can hardly wish to assume responsibility for full negotiations," Moncayo said. He added, however, that "it is encouraging to see how seriously the government has assumed this process to the end."

He thus expressed his confidence that the candidate who reaches the presidency of the Republic after the 7 July elections will continue with the same policy, "a policy of the state and not of an administration," with regard to the territorial aspect, to achieve a definitive solution to the border conflict.

Referring to the peace process, Moncayo said that the first priority is "to eliminate all elements of distrust that could lead to another armed confrontation," which is the main objective of the Ecuador-Peru Military Observers' Mission (MOMEP), although "this has not yet been achieved in a definitive manner." He added that the second priority is to establish the manner in which the "subsistent impasses" will be treated.

After reasserting that the Armed Forces will not stage a coup d'etat should populist Abdala Bucaram win the elections, as reported by the Peruvian press, Moncayo said that military commanders are not trained through "a policy of despotism [tendencia caudillista], but through a responsible perspective."

"We have never considered military intervention," the general said, and added that the Armed Forces abide by the Constitution to maintain the institutional process under the leadership of whoever is elected president, whether Bucaram or Social Christian Jaime Nebot.

Moreover, referring to the Amnesty International report accusing the Ecuadoran Armed Forces and police of violating the human rights of some Peruvians during the conflict, Moncayo admits that "it is possible that some abuses were committed. I am not aware of the abuses, but I do not justify them either."

Ecuador: Presidential Candidates Outline Inflation Targets

PY2606140296 Quito Voz de Los Andes in Spanish 1700 GMT 25 Jun 96

[FBIS Translated Text] With elections only two weeks away, the two presidential candidates have unveiled part of the economic policies they will pursue if voted into office. The main goal which both candidates will strive to achieve is to curb inflation. Social Christian Party candidate Jaime Nebot intends to roll back inflation to 17-20 percent in 1997 whereas populist Abdala Bucaram foresees that inflation will be running at 2.8 percent in 1998.

These figures were disclosed by the economic advisers to both candidates during a debate on their government plans sponsored by the economic magazine GESTION.

The Social Christian Party has set itself some ambitious goals. Jorge Rodriguez, the Social Christian Party economic adviser stated that his party aspires to reduce inflation to 17-20 percent in 1996 and to 14-17 percent in 1995. The centerpiece of Nebot's economic policy will be stabilization of macroeconomic aggregates and pump-priming the entire productive apparatus.

Last year's inflation rate stood at 22.8 percent and economic authorities estimate that at the end of this year, inflation will be running at 20 percent. Monetary Board Chair Ana Lucia Armijos stated: When we hand over power, the rate of inflation will stand at 20 percent. Therefore, it will be possible, feasible, and viable to roll back inflation to below 20 percent by the end of the year.

Santiago Perez, who advises the Ecuadoran Roldosist Party on economic affairs, underscored the need to maintain inflation at a rate ranging between 20 and 26 percent this year. Perez explained that the target for 1997 is to have the same inflation as the United States, which is currently running at 2.8 percent. Perez intends to meet this inflation target by reducing the fiscal deficit, rescheduling Ecuador's external and domestic debt, repurchasing these debts, and attracting foreign investment. The economic adviser argued that it is

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absurd that Ecuador should have impressive foreign exchange reserves and still be a poor country.

The Duran-Ballen administration has announced that the new administration will inherit a deficit equivalent to 1 percent of Ecuador's GDP, or $185 million. Foreign reserves added up to some $1.560 billion in May.

Nebot and Bucaram will vie with each other for the Presidency in the run-off election to be held on 7 July as neither of them received more than 50 percent of the vote in the 19 May elections.

Ecuador: Candidates' Opinions of Armed Forces Viewed

96SM0393A Quito HOY in Spanish 20 Jun 96 p 1

[Unattributed article: "Politics and Other Matters; The Force of Arms" — received via Internet]

[FBIS Translated Text] Although for the past two decades their political activity in Ecuador has been limited and the constitution has given them specific roles to perform, the Armed Forces are the mainstay of political power. The shadow of potential military intervention in politics hangs over the democratic system, despite repeated statements made by the commanders of the Armed Forces about the impossibility that a coup could occur. In the view of some analysts the two presidential candidates, although they are critical of the military caste as expressed from their own points of view and in their own styles, have not made coherent and well thought out statements on this subject. They have only made isolated comments which do not reflect concrete positions on the matter.

Jaime Nebot, a man with less political imagination, has never expressed much of an opinion about the Armed Forces. He has had no confrontations with the military caste or any discussions about its role. He has criticized the activities of some of the military in business, but his views of the Army are more properly traditional. Some analysts hold the view that, as the strong man in the Febres Cordero government, Nebot acted very quickly in dealing with the military revolt led by Gen Frank Vargas. In Guayaquil he organized a demonstration against the kidnapping of the president, but this was no different from the accusations made by the commandos of Taura regarding abuses which led them to rise up in revolt, or more specifically, of course, the situation of General Vargas.

Apart from this incident, his account of what happened was friendly. He said: "The Armed Forces are institutions which are the backbone of the nation. Without them there would be no security and no order, calmness, or peace. They must be armed and well equipped, but not to any excessive extent."

Nevertheless, Nebot has been opposed to the business activities of men in uniform. He said: "I do not agree with this. That is not their function."

Nevertheless, and to avoid contradicting himself, Nebot admitted that already existing, military business firms should compete, "as do domestic and foreign companies."

Also with regard to security, in Nebot's view, "In respecting the human rights of criminals, we must apply the law in effect once and for all and punish those evils which affect the order, peace and security of the country."

The most serious confrontation between the PSC [Social Christian Party] and the Armed Forces took place when Leon Febres Cordero, as mayor of Guayaquil, asked Jose Gallardo, then minister of defense, to have the Army clear street venders from the harbor area.

As was not unexpected, Febres Cordero attacked the minister. In this fight Nebot did nothing, and Febres limited himself to stating that this was a confrontation with the minister, not with the military.

This attack by the leader of the PSC, who acted on his own behalf, ended during the conflict with Peru.

And What Does Nebot Think?

When he was asked what his relationship was with the military, Nebot answered: "Well, that is a very impersonal question. I have no relationship with the military."

However, he did say that he had a relationship with the Armed Forces. He said: "My relationship with the Armed Forces is one of respect and recognition of their efficiency and their permanent character as an institution, as well of the need for them to be armed and equipped, but not to any excess. My position is to say no to their involvement in areas where they have no business and no to opinions which go beyond their area of responsibility, as when they practically proposed vetoing decisions made by the civilian government on electricity matters. I believe that democratic coexistence requires that everyone limit himself to his own business."

Nebot has always emphasized the specific tasks of the Armed Forces and their subordination to the civil power, questions on which he has not changed his position.

Bertha Garcia is concerned about the lack of a clear policy by the two finalists in the presidential elections

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regarding the role of the Armed Forces in Ecuadoran society.

She said: "There is no very well considered relationship with the military, nor any definite policy. There have only been unhappy incidents."

Garcia recalled that the uprising by Gen Frank Vargas against the Febres Cordero government was one of several signs of friction between the government of the Social Christian Party, of which Nebot was the strong man, and the military. In spite of that, Garcia thinks that the lack of a clear statement on the role of the military, which does not go beyond what is traditionally stated and what is provided for in the constitution, calls imperatively for attention. Recalling the motives behind the Taura uprising, she said: "There should have been a kind of 'useful' relationship between Febres Cordero and the Armed Forces at the time."

She also recalled the criticisms of the military made by Nebot regarding their participation in the business sector. She said: "Right wing parties and individuals, in expressing the views of private enterprise, have always been opposed to the participation of the military in business activities."

The relationship of Abdala Bucaram with the Armed Forces has been particularly difficult.

During the turbulent years when he was mayor of Guayaquil, Abdala Bucaram committed a political error which caused his fall. He said that the Armed Forces "are only good for parades on 9 October."

In effect, during a trip to the United States, Bucaram "opened up" on everyone. However, he emphasized the Armed Forces in particular.

He stated that the Army's boots and bayonets, "are at the service of the oligarchy" and that, furthermore, "there should be no uniformed Army."

Naturally, the statement by the mayor of Guayaquil was not welcome to the military commanders. On his return to Guayaquil he was accused of "attacking the security of the state" and he was tried in court for the remarks he made.

Nevertheless, in 1986 Congress granted him amnesty.

This previous record made people think, in 1988, in the event of a Bucaram victory in the elections the Armed Forces "would not let him assume office." Fear of this was due to the prior incident of a military coup d'etat in 1970, which prevented a possible Assad Bucaram candidacy for president.

Nevertheless, a military coup was not necessary. Bucaram lost to Borja and, furthermore, his relations with the military improved substantially.

In 1992 Bucaram said that the Armed Forces, "are performing their specific duties and have attuned their thinking to the political views of civilians at the international level. The peoples of the world want peace. They do not want wars. They want a book, not a bullet."

He continued: "We are aware of the great function which they are performing and we believe that they have understood that they are the pillar of security of our citizens and of the fatherland."

In the view of some analysts, from his position on the Budget Committee of Congress Santiago Bucaram helped to improve this difficult relationship even further.

He helped to have petroleum royalties turned over to the military for 15 more years.

And What Does Bucaram Think?

Calming down with the years and with further political experience, Abdala Bucaram today, some 11 years after his fall from the office of mayor of Guayaquil for insults made against the military, is now ready to express a different view.

He has said: "Well, I have always thought that the military should carry out their leading role, and they are doing this. They are dedicated to science, technology, and the internal and external security of the country. They are devoted to their exclusive functions, and this is a good thing. I think that they are the institutions with the greatest credibility in republican life."

Already by 1992 Abdala Bucaram had changed the tone of his speeches to avoid criticism.

Some analysts consider that the criticisms made in 1985 were a kind of "testing the water" which resulted in a tense relationship with the military, but which was not evidence of a continuing attitude of hostility to the Armed Forces by the populist leader.

Garcia comments that in other countries a policy has been adopted by the civilian governments which sets out the role of the Armed Forces in the development of the country.

In her view the two candidates lack a clear statement of their attitudes in this sense, and that is more important than isolated statements made by one or another political figure.

She said: "Merely by putting together these facts you cannot allege any particular attitude toward the Armed

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Forces on the part of the political movements which support these two candidates."

On the other hand the statements made by Bucaram against the Armed Forces can be interpreted more as political errors than as a sign of a certain attitude.

She rejected the idea of a possible military coup, which, it is feared, would be due to the previous attitude of Abdala Bucaram toward the Armed Forces. She stated that the Armed Forces have become mediators of civilian conflicts, thanks to their great prestige. She concluded: "The relationship between the civilian authorities and the Armed Forces in Ecuador has been among the best in South America." Despite this, she said that there is still an inadequate dialogue between civilian society and the military, "which the government should promote."

Paraguay

Paraguay: Wasmosy, Seifart Confirm Decision Not To Resign

PY2606181296 Asuncion NOTICIAS in Spanish 26 Jun 96 p 7

[FBIS Translated Text] On 25 June, President Juan Carlos Wasmosy said that neither he nor Vice President Angel Roberto Seifart will resign following charges of corruption against them by rebel General Lino Cesar Oviedo, the foreign press, and their political enemies.

Wasmosy said the publications are part of a smear campaign that seeks to tarnish his image before the international community. He added that hopes of his and the vice president's resignation are a mere "dream of their adversaries." He said: "My resignation is nothing but a dream for those people. Neither the vice president or I are thinking of resigning." Wasmosy stated: "Those who lack the popularity to even become a presidential candidate want my resignation."

"I will never resign," added Seifart. Wasmosy talked to the press in the presence of EU Vice President Manuel Marin, who accompanied him from Argentina, where they attended the Mercosur [Common Market of the South] presidential summit. Ministers, and civilian and military authorities attended the news conference.

Wasmosy said: "These charges are part of a smear campaign. I don't know how to further clarify this issue. I participated in a debate with Mr. Ricardo Canese (one of the accusers), where I disproved all his accusations, which prompted him to withdraw his candidacy for the presidency of the Republic." He added: "He has failed in his attempt to tarnish my image before the presidents of the Mercosur member countries. I have a well-earned prestige before the presidents of the world."

Marin, in turn, said the EU bloc will "definitively" not accept a government resulting from a coup d'etat. He voiced full support for Wasmosy, and said that Paraguay has made important progress under this administration.

Paraguay: Mercosur, Chilean Officers Attend Symposium

PY2606181396 Asuncion ABC COLOR in Spanish 25 Jun 96 p 2

[FBIS Translated Excerpt] General Pablo Manuel Idoyaga, chief of the Armed Forces Joint Staff, has stated that members of military institutions are clearly aware that a new stage of relations among Latin American countries is underway. Gen. Idoyaga yesterday opened the "Symposium on Strategic Studies for Joint and Defense Staffs," which is being attended by officers from Argentina, Brazil, Uruguay, Paraguay [members of the Common Market of the South, Mercosur], and Chile.

The meeting seeks to address strategic issues of military interest to these countries. [passage omitted]

Paraguay: Opposition Head Backs Governability, Mercosur

PY2606140496 Asuncion ABC COLOR in Spanish 22 Jun 96 p 6

[FBIS Translated Excerpt] Domingo Laino, president of the PLRA [Authentic Radical Liberal Party], yesterday announced that the PLRA will continue to support the opposition's governability pact with the administration because dialogue appears to be the only valid choice at this time. Laino made these remarks during a seminar on governability held at the Chamber of Deputies.

Commenting on the Colorado Party [ANR] executive board's decision to withdraw its support for the governability pact, Laino said that there are all kinds of politicians and that there is no way of keeping individual positions under control. He reaffirmed, however, that one must engage in dialogue now instead of walking alone in an increasingly globalized world.

Laino urged the ANR leaders to refrain from trying to walk alone. Regarding the ANR request to the administration to appoint only ANR members to public office, Laino said that today it is no longer possible to reinstate a political patronage system. He said: "We must not maintain privileges for a few, but rather adjust to the new times and understand that there must be broad participation."

Laino said that it would not be advisable to oppose Mercosur [Common Market of the South] at a time when the world is moving toward economic globalization. He said: "We could oppose and seek to amend some clauses

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of the Treaty of Asuncion, but we must not oppose Mercosur." [passage omitted]

Paraguay: Accord With India To Eliminate Visas Approved

PY2606181796 Asuncion ABC COLOR in Spanish 23 Jun 96 p 19

[FBIS Translated Excerpt] All Paraguayan citizens will be able to travel to India without the need for a visa and to remain there for a 90-day period that can be extended — and vice versa. The executive branch promulgated Law No. 863, approving an agreement to eliminate the need for visas for diplomatic and official passports that had been approved by Congress on 12 December 1995.

The decision to eliminate the need for visas seeks to step up tourism, cultural exchange, and trade. [passage omitted]

Paraguay: Vice President's Attempted Kidnappers Named

PY2606162396 Asuncion NOTICIAS in Spanish 24 Jun 96 pp 4, 5

[FBIS Translated Excerpt] The Congressional Investigating Committee on Illegal Activities (CBI) has the names of those who reportedly attempted to kidnap Vice President Angel Roberto Seifart.

Lieutenant Colonel Wladimiro Woroniecki, Captain Alfredo Florencianez, Captain Juan Franco, retired; and an yet unidentified noncommissioned officer are allegedly members of a group which in a white Fiat Duna car, bearing no license plates, attempted to kidnap Seifart early on the morning of 23 April.

The information received by the CBI confirms charges first by Colorado Senator Juan Carlos Galaverna and then by Seifart himself.

Galaverna said that during the week of the military crisis provoked by General Lino Cesar Oviedo, retired — who refused to obey orders from his commander in chief — a group of four men followed Seifart through the streets of Asuncion, seeking to kidnap him. Seifart confirmed that he had been followed after leaving his office through the streets of Asuncion and that he had to take evasive action in his vehicle to lose his chasers.

The information received by the CBI states that Oviedo reportedly issued two orders to kidnap Seifart. Oviedo imparted the first order to the group of Woroniecki, Florencianez, Franco, and a driver (as yet unidentified, presumably a noncommissioned officer). The first attempt failed because, after swerving his all-terrain Hummer vehicle, Seifart succeeded in losing the Fiat Duna car and sought refuge at the Navy headquarters. Oviedo reportedly issued the second order to Cimee (Army Training Center), but mid-level officers refused to carry it out. [passage omitted]

Peru

Peru: U.S. 'Electioneering Purposes' Seen in Peace Process

PY2706005196 Lima EXPRESO in Spanish 24 Jun 96 p A27

[Article by Patricio Ricketts Rey de Castro: "Einaudi Is Exerting Pressure"]

[FBIS Translated Text] Luigi Einaudi's recent remarks in Buenos Aires were not exactly felicitous. The U.S. ambassador, who represents his country in the group of guarantors of the Rio de Janeiro Protocol, has decided to exert pressure precisely when such pressure is not only most inadvisable, taking into account his particular position, but also most unacceptable to us.

His intentness on pulling the strings is in stark contrast to the prudence evinced by the other guarantors. Coming from a superpower, such an attitude is annoying and brings to mind the frantic — and often fruitless when not negative — steps taken by the United States in the search for "solutions" to serious conflicts in several regions of the world. Quite often, the general perception of these U.S. interventions is that they are characterized by rashness and are overtly linked to U.S. domestic policy.

Worrisome

In a presidential year like this one, this trend is quite worrisome. It is difficult to distinguish, even in U.S. foreign policy, government acts from campaign tactics. When a president is seeking reelection, he tries to score a string of successes — whether military successes or successes as a peacemaker, or preferably both — no matter how irritating they may be to other peoples.

It is very easy to conjure up achievements when one wants real ones. Given the fact that Clinton's presidential achievements in Latin America are limited to the treaty on integration with Canada and Mexico (which was a Republican program), the invasion of Haiti, the persecution of illegal immigrants, and the unseemly and unsuccessful pressure on Fidel Castro and third party investments in Cuba, it is not at all surprising that Ambassador Einaudi wants to contribute something to Clinton's cause.

A Timetable Designed for Electioneering Purposes

Einaudi explained to the press in Buenos Aires that "U.S. President Bill Clinton's position is very clear....

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1996 must be a year devoted to peace." It is understood that as far as this purpose is concerned, 1996 ends in November, before the presidential elections. Another fine spectacle involving the signing of a new protocol by the heads of state of Peru and Ecuador and the guarantor countries in the gardens of the White House — weather permitting — or in a cozy room in Washington would be ideal, perhaps not for Peru and Ecuador, but at least for Clinton.

The arguments advanced by Ambassador Einaudi to uphold a timetable designed for electioneering purposes are weak and inelegant. The 15 months that have elapsed since the Itamaraty Peace Declaration seem like ages to him. In his view, everything should have already been settled by now. Einaudi does not want people to run away with the idea that the United States "is willing to accept permanent or semi-permanent obligations," even if it already accepted them in 1942.

Commenting on the U.S. support for the MOMEP [Ecuador-Peru Military Observers Mission], Einaudi said: "We will have to discuss with the parties involved and the other guarantors how to reduce the dependency on the U.S. contribution."

The new Ecuadoran administration will assume office in August. Einaudi has given us four, if it is not three, months as a grace period to finish the old game. How can one take him seriously?

Peru: Commentary Opposes 'Hasty' Handling of Peace Process

PY2706021696 Lima LA REPUBLICA in Spanish 24 Jun 96 p 6

[Commentary by Mirko Lauer: "The Best Nourishment for Peace: Peruvian Territory"]

[FBIS Translated Text] Last year more than one independent analyst warned that the only solution to the Cenepa conflict might lie in Peru making a territorial concession to Ecuador. Today this is still a very present danger. The key concept involving this eventual Peruvian concession is **peace**. This is an objective which guarantor countries have placed above upholding of the juridical status of the Rio de Janeiro Protocol.

The remarks made by Luigi Einaudi, U.S. representative before the group of guarantor countries, are quite clear: Bill Clinton says that 1996 must be "the year for achieving peace" at the border through "the search for a negotiated solution." The United States has replaced Brazil in its role of **first among equals** [preceding phrase in Latin] among the guarantor countries; hence the importance of these words.

Moreover, it seems that the other guarantor countries also want to achieve a negotiated solution to the conflict, starting with the pathetic [infeliz] Argentine foreign minister. What nobody seems to know is how to achieve a satisfactory (negotiated) solution with Ecuador without Peru having to make a territorial concession and, consequently, without violating the Rio de Janeiro Protocol, which has safeguarded the border for more than half a century.

The only specific result achieved at the meeting Foreign Ministers Galo Leoro and Francisco Tudela held in Buenos Aires was a communique evidencing that guarantor countries have changed their original role of custodian of the Rio de Janeiro Protocol to that of **brokers** [preceding word in English] of the peace process. Such a negotiations process will entail an Indian wrestling match with the Peruvian Foreign Ministry. Soon, perhaps, we will be witnesses of a campaign to soften up Peruvian public opinion.

Meanwhile sabers are crisscrossed on both sides of the border. Peru charges Ecuador with mobilizing its troops to the border, while it charges us with conducting military incursions into the demilitarized zone. Although none of these have been very serious incidents, it is obvious that the military on both sides are restless and that the Ecuadoran and Peruvian Armies are the main protagonists of the so-called peace process.

Einaudi's position has not changed since the start of the conflict (It is more or less the following: Ecuador will acknowledge the Rio de Janeiro Protocol. What will Peru do in exchange for this?). However, it appears as if his current haste is intended to avoid shoot-outs in Latin America during an election year in the United States. The haste involving the entire process is not in line with the seriousness that the situation demands and the manner in which the protagonists believe it should be handled.

A hasty solution is not always the best formula to resolve border conflicts. Under the current circumstances, everything seems to indicate that the best thing for Peru would be for some of the guarantors to subdue their zeal as pacifists. If the price we have to pay to stop Ecuadoreans from waging war against us is to yield some territory, no amount of territory will be sufficient to placate them.

The issue in question is not achieving an immediate hasty and spurious peace, but rather a lasting one. Perhaps prominent developed countries believe our problem can be resolved in the blink of an eye. However, the 1995 conflict, which stemmed from the one in 1941, clearly shows that one can never be too careful when border conflicts are involved.

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Peru: Tudela Reaffirms Opposition to Conflict Arbitration

PY2706034396 Lima America Television Network in Spanish 0100 GMT 27 Jun 96

[FBIS Translated Text] Peruvian Foreign Minister Francisco Tudela stated today that border negotiations with Ecuador have their own pace and cannot be accelerated. The foreign minister said this in reply to remarks by Ecuadoran President Sixto Duran-Ballen, thus reaffirming the Peruvian position against an arbitration in the Peruvian-Ecuadoran conflict.

[Begin recording] [Tudela] Negotiations have their own pace, and both Ecuador and Peru must adjust their talks to the current situation. This situation is that we are interested in preserving and maintaining the pace of the negotiations based on the Itamaraty peace process. But it is also important to understand that the Itamaraty process is complex and cannot be accelerated without considering the political situation in those countries involved in this process. Peru's diplomatic objective is to defend the Itamaraty process and to keep the talks within this process. But this does not mean ignoring political events in the two countries, nor does it suppose that we can reach an absolutely abstract formula having nothing to do with the current situation.

[Unidentified reporter] The Ecuadoran people have once again referred, in Washington, to the idea of an arbitration. What must the Peruvian Government do in view of the Ecuadoran Government's insistence on this matter?

[Tudela] The Peruvian Government does not have to do anything, simply because it has already done something. It has already rejected the idea of arbitration, in Buenos Aires. [end recording]

Peru: Correction—Tudela Objects to Arbitration

PY2406141096 Lima America Television Network in Spanish 0100 GMT 22 Jun 96

[Corrected version of "Peru: Tudela Objects to Arbitration Over Ecuador Conflict," originally filed as PY2206041896 and published on page 67 of the 24 June Latin American DAILY REPORT; correcting "Aranha Project" in fifth paragraph]

[FBIS Translated Text] The Ecuadoran and Peruvian foreign ministers will meet again in Santiago, Chile as they failed to reach agreement on the recent meeting they held in Buenos Aires due to Peru's proposal that the border dispute between both countries should be referred to arbitration. This was made public by Foreign Minister Francisco Tudela upon his arrival in the Argentine capital [as received] this afternoon. He said:

[Begin recording] We will broach once again the issue of procedures. [end recording]

This is the mission which our foreign minister will try to fulfill in Chile even if the legal framework of the negotiations was defined at the Buenos Aires meeting.

Peru did not accept taking the border dispute to arbitration — as was put forward by Ecuador — on the grounds that it only accepts the intervention of guarantor countries in this affair. Tudela explained:

[Begin recording] Peru objected to such solution because first and foremost, there is already the arbitration of Bras Dias de Aguiar and there cannot be an arbitration on another arbitration, and secondly, the boundary demarcation between Peru and Ecuador has already been completed and the line of demarcation has already been traced both following the Aranha Project and the arbitration of Bras Dias de Aguiar. [end recording]

The foreign minister further reported that military observers from the United States will continue participating in the MOMEP [Ecuador-Peru Military Observers Mission] on the border between Peru and Ecuador until 6 September adding that the U.S. Congress is studying whether to extend the U.S. participation in this mission.

Changing the subject, Tudela stated that the Peruvian Government is awaiting the outcome of the inquest the Argentine Government is holding on the sale of weapons to Ecuador during the armed conflict that pitted the latter against Peru. Tudela said:

[Begin recording] Judicial investigations in Argentina belong to the sphere of domestic affairs of that country. Peru has already stated that it is very much concerned about this issue and that we are really interested in seeing the outcome of the investigations in order to make a final judgment of what happened. Nevertheless, out of respect for the norms of international coexistence between states, we cannot try to exert pressure or request things that are the sole incumbency of Argentina because we respect Argentina's sovereignty. [end recording]

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Venezuela

Venezuela: Suspects in Bus Torching Incident Questioned

PA2606231696 Caracas Televen Canal 10 in Spanish 1600 GMT 26 Jun 96

[Report by Yessenia Balza — monitored from a live relay by Lima Sistema Unido de Retransmision Television]

[FBIS Translated Text] A few minutes ago, the five persons allegedly involved in the torching of six 23 de Enero community buses were taken to the 25th Criminal Court for questioning by Judge Cristobal Ramirez Colmenares.

Yessenia Balza reports that tomorrow, the judge responsible for the case will be deciding whether or not the five suspects will be placed under arrest.

[Begin recording] [Balsa] We are currently at the Justice Palace awaiting the arrival of the five persons allegedly involved in the torching of six 23 de Enero community buses to be appear before Judge Cristobal Ramirez Colmenares for questioning. Here with us is Jose Pinto, a member of the Simon Bolivar Cultural and Athletic Coordinating Board, and also member of the 23 de Enero Neighbors Association. We understand that your association is accusing the four [as heard] paramilitary members [parapolicias] of being responsible for the fires?

[Pinto] That is correct. We have been saying this all along not only because members of the Simon Bolivar Cultural Coordinating Board are being blamed for the burning, but also because several community leaders have been murdered in the 23 de Enero community. These community leaders could not have been murdered by anyone else but security organization members who have been able to infiltrate the neighborhood. In other words, we blame the paramilitary groups of being the main cause of the incidents that have been taking place. What is the intention behind all of this? What is the objective? Well, to attack the work being done by the cultural and social organizations working in the 23 de Enero community, which are slowly recovering areas that for some time now have been under the control of drug traffickers. In spite of all that has been taking place, we intend to continue with our social programs, rescue our community so that it can once again be a safe place for our children and their children to live.

[Balsa] Mr. Pinto, specifically, to which paramilitary groups are you referring as being involved in the torching of the buses?

[Pinto] We believe there are paramilitary groups that have been able to infiltrate the PTJ [Technical Judicial Police] and even the Dijin [Judicial and Investigative Police Directorate]. These groups have even been denounced by Deputy Vladimir Villegas during a National Congress summon to the PTJ director.

[Balsa] Well, we thank Jose Pinto, member of the Simon Bolivar Cultural and Athletic Coordinating Board. We will remain at the Justice Palace awhile longer, specifically at the 25th Criminal Court of Judge Cristobal Ramirez Colmenares, awaiting the arrival of the seven [as heard] suspects for questioning about the bus burnings in the 23 de Enero community. [end recording]

Venezuela: Torching Suspects Claim 'Tortured' To Confess

PA2706041496 Caracas Venezolana de Television Network in Spanish 0230 GMT 27 Jun 96

[Report by Jose Vicenti Antonetti]

[FBIS Translated Text] Representatives of the Simon Bolivar Cultural Coordinating Board [Coordinadora Cultural Simon Bolivar] reported that the six people presumed responsible for torching six buses in the Sierra Maestra sector of the 23 Enero neighborhood were tortured to confess.

On 26 June, Carlos Suarez, (Jonathan Soho), Jesus Fuentes, (Miguel Delducas), Jesus Arrieta, and Jose Saavedra, under arrest because of the torching, were due to appear before the 25th penal lower court. They have mounting evidence against them, including statements by various witnesses, such as the guard at the parking lot where the attack took place. Also found were pamphlets, containers with gasoline, and gasoline samples on the clothing found at the homes of several of them, plus a ski mask.

But the most damning piece evidence is their confession given in the PTJ [Judicial Technical Police] western garrison before two prosecutors from the Attorney General's Office. According to the wife of one those under arrest, this confession was given under torture.

[Begin Nilsen Martin recording] My husband, in particular, has a broken nose, his arms are covered by rope marks, and he is in very poor health. [end recording]

Jose Pinto, a member of the Simon Bolivar Cultural Coordinating Board, to which the suspects belong, has a clear idea why [the authorities] want to involve them with the incident.

[Begin Pinto recording] Drug trafficking in the 23 Enero neighborhood is such a powerful force and through the social work that we have been developing, we have managed to take away opportunities from drug traffickers. Remember that because of my statements to

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you today I will perhaps earn a trumped-up case file or perhaps I will be murdered. [end recording]

There was no explanation, nevertheless, as to why the six detainees were not transferred to the tribunal from La Planta holding station, which was the case of others who faced charges.

Anyway, on Friday, Judge Cristobal Ramirez Colmenares is expected to order the detention of these six for their alleged participation in felonies against public order.

Venezuela: Neighbors Demand End to Police Raids

PA2606224296 Caracas Venezolana de Television Network in Spanish 1600 GMT 26 Jun 96

[Report by Yasmin Velasco]

[FBIS Translated Text] While police worked to put out a bus fire in Caracas Parish, residents of 23 de Enero neighborhood marched in protest over abuses committed by policemen.

Yasmin Velasco has the details.

[Velasco] Residents of the 23 de Enero neighborhood have demonstrated their dissatisfaction with the latest raids on their parish by the Judicial Technical Police [PTJ] to put out 13 small bus fires in the past few days.

Neighbors have been carrying out a peaceful march since 0600. Schools are closed and there is no public transportation and neighbor associations are not offering their services.

Let's talk with Joel Castro, the priest of this populated parish. Father, what is the purpose of today's actions?

[Castro] We are calling on all the police organizations to stop the raids in 23 de Enero. We are tired of this neighborhood being treated like a watermelon rind. Whenever there is a problem in the country, the people blamed are those of 23 de Enero.

The 27 February events were blamed on 23 de Enero; coups d'etat are blamed on 23 de Enero; now the setting on fires is being blamed on 23 de Enero.

[Velasco] The PTJ considers the buses case resolved, with the arrest of seven persons.

[Castro] I do not agree with those arrests. They are not involved. I know they are social workers and they work for the community. They have political inclinations, but this is respected in democracy.

[Velasco] As a 23 de Enero Parish member, what do you think?

[Unidentified person] My opinion is that everytime the government feels like it, it turns on us. They have made those boys responsible and have forced them to sign a confession that they set the buses on fire. Those boys have not set buses on fire. These are revolutionary boys. They are not terrorists. The government blames everything that goes wrong here on us. They cannot continue to keep abusing and mistreating us, violating our rights. They speak of rights, but respect none.

[Velasco] The 23 de Enero neighbors will march to the site where the 13 buses were torched and will make demands of the national government. They will protest last week's arrests, with which, according to Caracas PTJ Chief Pablo Guzman, the case was resolved.

They will also announce that they will participate in the transportation strike to take place Monday, 1 July, according to the Association of Independent Vehicles [asociacion de autos libres].

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